TRI-COUNTY WATER AND SEWER DISTRICT
WASHINGTON COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Tri-County Rural Water and Sewer District, Washington County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

October 1, 2020

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TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Tri-County Rural Water and Sewer District, Washington 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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

Emphasis of Matters

As discussed in Note 9 to the 2018 financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". We did not modify our opinion regarding this matter.

As discussed in Note 8 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include schedules of net pension and OPEB liabilities and pension and OPEB 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 express an opinion 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
July 28, 2020

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

Assets

Current Assets:	
Cash and Cash Equivalents	$ 1,157,666
Accounts Receivable-Customers (Net)	156,502
Total Current Assets	1,314,168
Capital Assets:	
Land	258,508
Buildings	218,960
Machinery and Equipment	222,060
Office Furniture and Fixtures	44,280
Autos and Trucks	85,355
Construction in Progress	8,042
Water System - Wells	199,576
Water System - Meter/Taps/Hydrants	735,261
Water System - Water Lines	10,446,495
Water System - Stations	920,258
Water System - Tanks/Towers	1,842,612
Less: Accumulated Depreciation	(9,959,504)
Net Property and Equipment	5,021,903
Other Assets:	
Loan Closing Fees - Net of Amortization	30,990
Right of Ways	39,762
Advance Deposit	135
Total Other Assets	70,887
Deferred Outflows of Resources	
Deferred Outflows of Resources - Pension	96,157
Deferred Outflows of Resources - OPEB	11,772
Total Deferred Outflows of Resources	107,929
Total Assets and Deferred Outflows	$ 6,514,887

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

Liabilities and Net Position	
Liabilities:	
Current Liabilities:	
Accounts Payable	$ 2,585
Current Portion of Long-Term Debt	581,990
Customer Security Deposits	297
Payroll Withholdings	5,217
Accrued Interest Payable	28,309
Current Portion of Accrued Vacation and Sick Leave	6,753
Total Current Liabilities	625,151
Long-Term Liabilities:	
Notes Payable OWDA	2,229,690
Notes Payable OPWC	852,701
Less: Current Portion of Long-Term Debt	(581,990)
Long-Term Accrued Vacation and Sick Leave	3,807
Net Pension Liability	317,702
Net OPEB Liability	140,807
Total Long-Term Liabilities	2,962,717
Deferred Inflows of Resources	
Pension	5,090
OPEB	382
Total Deferred Inflows of Resources	5,472
Total Liabilities and Deferred Inflows	3,593,340
Net Position:	
Net Investment in Capital Assets	1,939,512
Unrestricted	982,035
Total Net Position	2,921,547
Total Liabilities & Net Position	$ 6,514,887

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating Revenues:	
Charge for Services	$ 1,149,896
Tap Fees	43,000
Finance Charges	31,348
Reconnect Fees	2,700
Miscellaneous Income	23,931
Total Operating Revenues	1,250,875
Operating Expenses:	
Administration Expenses	18,592
Advertising	39
Auto-Truck Travel	3,564
Amortization Expenses	1,920
Board of Director Fees	5,570
Chemicals	10,106
Contract Labor	54,321
Depreciation Expense	592,926
Fuel, Oil and Grease	5,817
Insurance	6,599
Hospital Insurance	26,103
Legal and Accounting	8,798
Licenses/Permits	2,839
Repairs and Maintenance	51,506
Miscelleneous Expenses	7,307
Office	12,656
Pension - PERS	72,574
OPEB	13,120
Postage	7,032
Recording/Filing Fees	28
Salaries	180,100
Supplies	40,988
Payroll Taxes	4,960
Other Taxes	300
Telephone	3,784
Travel and Entertainment	450
Training	593
System Electric	53,125
Other Utilities	2,301
Sewer/Beverly Hills	6,708
Water Testing	3,721
Total Operating Expenses	1,198,447
Operating Income	$ 52,428

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Non-Operating Revenues (Expenses):	
Interest Earned	$ 3,388
Surcharge/Financed Taps	1,670
Interest Expense	(98,349)
Total Nonoperating Revenues (Expenses)	(93,291)
Change in Net Position Before Capital Contribution	(40,863)
Capital Contributions	38,172
Change in Net Position	(2,691)
Net Position, Beginning of Year	2,924,238
Net Position, End of Year	$ 2,921,547

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Cash Received from Customers	$ 1,287,767
Cash Payments to Suppliers for Goods and Services	(307,845)
Cash Payments to Employees for Services and Benefits	(232,582)
Net Cash Provided by (Used by) Operations	747,340
Cash Flows from Capital and Related Financing Activities:	
Retirement of Long-Term Debt	(554,733)
Acquisition of Property & Equipment and Projects	(71,904)
Interest Paid	(106,733)
Capital Contributions from Principal Forgiveness	38,172
Net Cash Provided by (Used by) Capital and Related Financing Activities	(695,198)
Cash Flows from Investing Activities:	
Investment Income	3,388
Surcharged Finance Taps	1,670
Net Cash Provided (Used) by Investing Activities	5,058
Net Increase/(Decrease) in Cash and Cash Equivalents	57,200
Cash and Cash Equivalents - January 1	1,100,466
Cash and Cash Equivalents - December 31	$ 1,157,666
Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities	
Net Operating Income	$ 52,428
Depreciation/Amortization	592,926
Decrease (Increase) in Accounts Receivable	36,892
Decrease (Increase) in Deferred Outflows	(53,750)
Decrease(Increase) in Loan Costs	1,920
Increase/(Decrease) Deferred Inflows	(47,312)
Increase/(Decrease) Net Pension Liability	137,446
Increase/(Decrease) Net OPEB Liability	24,613
Increase/(Decrease) Payroll Withholdings	357
Increase (Decrease) Accounts Payable	(1,301)
Increase (Decrease) Accrued Payroll	2,921
Total Adjustments	694,912
Net Cash Provided by (Used by) Operating Activities	$ 747,340

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2019 and passed annual appropriations and resolutions.

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

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

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

F. Net Position

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Position (Continued)

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

G. Contributed Capital

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

H. Compensated Absences

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

I. Estimates

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

J. Pensions/Other Postemployment Benefits (OPEB)

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

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

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

2. DEPOSITS

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, inducing but not limited to, the federal national mortgage association, federal home bank loan, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

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

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

2. DEPOSITS (CONTINUED)

7. The State Treasurers Investment pool (STAROHIO);

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and

9. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed 10% of the District's average portfolio.

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

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

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

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the 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.

The carrying amount of all District deposits was $1,157,466 exclusive of $200 in cash on hand at December 31, 2019. The District's deposit bank balance as of December 31, 2019 was $939,035. The District's balance was covered by FDIC for $250,000 at December 31, 2019. Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through 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.

3. LONG TERM LIABILITIES

Debt outstanding at December 31, 2019 consisted of the following:

		Principal	Interest Rate
LTD-1	OWDA - 7335	$ 676,793	1.27%
LTD-2	OWDA - 2963	40,335	6.51%
LTD-3	OWDA - 2962	754,340	6.72%
LTD-4	OWDA - 2118	18,006	6.12%
LTD-5	OWDA - 2119	7,306	6.11%
LTD-6	OWDA - 2120	2,973	5.73%
LTD-7	OWDA - 2893	25,874	2.00%
LTD-8	OWDA - 2183	72,196	5.56%
LTD-9	OWDA - 4162	53,385	1.50%
LTD-18	OWDA - 6220	518,773	2.00%
LTD-19	OWDA - 5328	33,765	0.00%
LTD-20	OWDA - 3412	25,944	2.00%
OPWC-1A	OPWC - CR314	8,594	0.00%
OPWC-2A	OPWC - CR530	15,300	0.00%
OPWC-3A	OPWC - CR729	20,145	0.00%
OPWC-4A	OPWC - CR935	26,778	0.00%
OPWC-5A	OPWC - CR14C	48,926	2.00%
OPWC-6A	OPWC - CR20G	78,955	0.00%
OPWC-7A	OPWC - CR05T	158,560	0.00%
LTD-17A	OPWC - CRN17N	495,443	0.00%
		$ 3,082,391	

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

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

	OWDA		OPWC	
Year Ending December 31:	Principal	Interest	Principal	Interest
2020	$ 463,679	$ 56,264	$ 118,311	$ 882
2021	491,770	38,966	95,551	495
2022	70,415	20,822	62,031	100
2023	64,595	19,125	52,050	-
2024	64,265	17,687	52,045	-
2025-2029	235,293	74,563	181,290	-
2030-2034	251,842	55,869	141,640	-
2035-2039	254,530	35,982	115,220	-
2040-2044	236,452	15,531	34,563	-
2045-2049	96,849	2,473	-	-
	$ 2,229,690	$ 337,282	$ 852,701	$ 1,477

3. LONG TERM LIABILITIES (CONTINUED)

Long-term Obligations

Changes in long-term obligations of the District during the year ended December 31, 2019 were as follows:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
OWDA - 7335	$ 695,797	$ -	$ (19,004)	$ 676,793	$ 21,055
OWDA - 2963	58,671	-	(18,336)	40,335	19,530
OWDA - 2962	1,096,231	-	(341,891)	754,340	363,847
OWDA - 2118	23,330	-	(5,324)	18,006	5,650
OWDA - 2119	9,134	-	(1,828)	7,306	1,939
OWDA - 2120	3,619	-	(646)	2,973	682
OWDA - 2893	29,569	-	(3,695)	25,874	3,769
OWDA - 2183	84,409	-	(12,213)	72,196	12,902
OWDA - 4162	56,317	-	(2,932)	53,385	2,976
OWDA - 6220	535,469	-	(16,696)	518,773	17,032
OWDA - 5328	35,412	-	(1,647)	33,765	1,647
OWDA - 3412	38,534	-	(12,590)	25,944	12,843
OPWC - CR314	14,094	-	(5,500)	8,594	5,500
OPWC - CR530	25,500	-	(10,200)	15,300	10,200
OPWC - CR729	33,576	-	(13,431)	20,145	13,430
OPWC - CR935	44,630	-	(17,852)	26,778	17,852
OPWC - CR14C	67,826	-	(18,900)	48,926	19,088
OPWC - CR20G	94,746	-	(15,791)	78,955	15,791
OPWC - CR05T	171,773	-	(13,213)	158,560	13,213
OPWC - CRN17N	518,487	-	(23,044)	495,443	23,044
Compensated Absences	7,639	17,545	(14,624)	10,560	6,753
Net Pension Liability	180,256	137,446	-	317,702	-
Net OPEB Liability	116,194	24,613	-	140,807	-
Total	$ 3,941,213	$ 179,604	$ (569,357)	$ 3,551,460	$ 588,743

4. CAPITAL ASSETS

A summary of the District's assets at December 31, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 258,508	$ -	$ -	$ 258,508
Construction in Progress	6,588	1,454	-	8,042
Depreciable Capital Assets:				
Buildings	218,960	-	-	218,960
Machinery and Equipment	222,060	-	-	222,060
Office Furniture and Fixtures	44,280	-	-	44,280
Autos and Trucks	47,035	38,320	-	85,355
Water System	14,112,072	32,130	-	14,144,202
Less: Accumulated Depreciation:				
Buildings	(14,971)	(5,615)	-	(20,586)
Machinery and Equipment	(169,635)	(22,844)	-	(192,479)
Office Furniture and Fixtures	(40,968)	(745)	-	(41,713)
Autos and Trucks	(46,910)	(3,282)	-	(50,192)
Water System	(9,094,094)	(560,440)	-	(9,654,534)
	$ 5,542,925	$ (521,022)	$ -	$ 5,021,903

5. RISK MANAGEMENT

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

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

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

	2019
Cash and Investments	$ 38,432,610
Actuarial liabilities	$ (14,705,917)

6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

Plan Description

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

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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Group A	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 the other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District’s contractually required contributions for the traditional plan for 2019 were $24,021. 100% has been contributed for 2019. Of the amount for 2019, $2,005 is reported as intergovernmental payable.

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

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

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	$ 317,702
Proportion of the Net Pension Liability/(Asset)	0.001160%
Increase/(decrease) in % from prior proportion measured	0.000011%
Pension Expense	$ 71,235

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 43,121
Changes in assumptions	27,657
Differences between expected and actual experience	15
Changes in proportion and differences District's contributions and proportionate share of contributions	1,343
District's contributions subsequent to the measurement date	24,021
Total Deferred Outflows of Resources	$ 96,157
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 4,175
Changes in proportion and differences District's contributions and proportionate share of contributions	915
Total Deferred Inflows of Resources	$ 5,090

$24,021 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending December 31:	Traditional Pension Plan
2020	$ 28,489
2021	14,504
2022	4,000
2023	20,053
Total	$ 67,046

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

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

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

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

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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

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

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

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

6. DEFINED BENEFIT PENSION 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 using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

Employer's Net Pension Liability	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
Traditional Pension Plan	$ 469,336	$ 317,702	$ 191,690

7. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

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

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

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Plan Description

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

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary authority over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2019, OPERS allocated 0% of employer contributions to post-employment health care.

Net OPEB Liability

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

	OPERS
Proportionate Share of the Net OPEB Liability	$ 140,807
Proportion of the Net OPEB Liability	0.001080%
Increase/(decrease) in % from prior proportion measured	0.000010%
OPEB Expense	$ 13,120

7. DEFINED BENEFIT OPEB 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:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 6,455
Changes in assumptions	4,540
Differences between expected and actual experience	48
Changes in proportion and differences between government contributions and proportionate share of contributions	729
Total Deferred Outflows of Resources	$ 11,772
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 382
Total Deferred Inflows of Resources	$ 382

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

Fiscal Year Ending December 31:	OPERS
2020	$ 5,407
2021	1,656
2022	1,073
2023	3,254
Total	$ 11,390

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

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

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

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

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

	1% Decrease 2.96%	Current Discount Rate 3.96%	1% Increase 4.96%
District's proportionate share of the net OPEB liability	$ 180,144	$ 140,807	$ 109,523

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

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$ 135,346	$ 140,807	$ 147,096

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

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

7. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

8. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many counties, including the geographical area in which the District operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergence assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions with the coronavirus will last and what the complete financial effect will be to the District, however, the District has enough significant liquidity to survive.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE PLAN YEAR DECEMBER 31, 2018

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

	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.001160%	0.001149%	0.001166%	0.001142%	0.001130%	0.001130%
District's Proportionate Share of the Net Pension Liability	$ 317,702	$ 180,256	$ 264,773	$ 197,805	$ 136,291	$ 133,212
District's Covered Payroll	$ 162,615	$ 152,023	$ 150,558	$ 142,192	$ 138,575	$ 165,867
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195.4%	118.6%	175.86%	139.11%	98.35%	80.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

See Notes to the Required Supplementary Information.

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

*Will be built prospectively.

Amounts presented as of the District's measurement date, which is the prior year end.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
Ohio Public Employees Retirement System - Traditional Plan
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 24,021	$ 22,766	$ 19,763	$ 18,067	$ 17,063	$ 16,629
Contributions in Relation to the Contractually Required Contribution	(24,021)	(22,766)	(19,763)	(18,067)	(17,063)	(16,629)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 171,575	$ 162,615	$ 152,023	$ 150,558	$ 142,192	$ 138,575
Contributions as Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

See Notes to the Required Supplementary Information.

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

Amounts presented as of the District's measurement date, which is the prior year end.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE PLAN YEAR DECEMBER 31, 2018

Ohio Public Employees Retirement System
Last Three Fiscal Years (1)

	2018	2017	2016
District's Proportion of the Net OPEB Liability	0.001080%	0.001070%	0.001070%
District's Proportionate Share of the Net OPEB Liability	$ 140,807	$ 116,194	$ 108,074
District's Covered Payroll	$ 162,615	$ 152,023	$ 150,558
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	86.6%	76.4%	71.8%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

See Notes to the Required Supplementary Information.

(1) Information prior to 2016 is not available.

(2) Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

*Will be built prospectively.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019	2018	2017
Contractually Required Contribution	$ -	$ -	$ 1,520
Contributions in Relation to the Contractually Required Contribution	-	-	1,520
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	$ 171,575	$ 162,615	$ 152,023
Contributions as Percentage of Covered Payroll	0.00%	0.00%	1.00%

See Notes to the Required Supplementary Information.

(1) Information prior to 2017 is not available.
(2) Information is presented on a fiscal year basis, consistent with the District's financial statements.

Changes in Assumptions – OPERS

Pension

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

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

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

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

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

Changes in Assumptions – OPERS (Continued)

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

OPEB

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

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

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

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	2018
Assets	
Current Assets:	
Cash and Cash Equivalents	$ 1,100,466
Accounts Receivable-Customers (Net)	193,394
Total Current Assets	1,293,860
Capital Assets:	
Land	258,508
Buildings	218,960
Machinery and Equipment	222,060
Office Furniture and Fixtures	44,280
Autos and Trucks	47,035
Construction in Progress	6,588
Water System - Wells	199,576
Water System - Meter/Taps/Hydrants	703,131
Water System - Water Lines	10,446,495
Water System - Stations	920,258
Water System - Tanks/Towers	1,842,612
Less: Accumulated Depreciation	(9,366,578)
Net Property and Equipment	5,542,925
Other Assets:	
Loan Closing Fees - Net of Amortization	32,910
Right of Ways	39,762
Advance Deposit	335
Total Other Assets	73,007
Deferred Outflows of Resources	
Deferred Outflows of Resources - Pension	45,626
Deferred Outflows of Resources - OPEB	8,553
Total Deferred Outflows of Resources	54,179
Total Assets and Deferred Outflows	$ 6,963,971

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018

		2018
Liabilities and Net Position		
Liabilities:		
Current Liabilities:		
Accounts Payable	$	3,886
Current Portion of Long-Term Debt		497,505
Customer Security Deposits		297
Payroll Withholdings		4,860
Accrued Interest Payable		36,693
Accrued Vacation and Sick Leave		7,639
Total Current Liabilities		550,880
Long Term Liabilities:		
Notes Payable OWDA		2,666,492
Notes Payable OPWC		970,632
Less: Current Portion of Long-Term Debt		(497,505)
Net Pension Liability		180,256
Net OPEB Liability		116,194
Total Long-Term Liabilities		3,436,069
Deferred Inflows of Resources		
Pension		44,128
OPEB		8,656
Total Deferred Inflows of Resources		52,784
Total Liabilities and Deferred Inflows		4,039,733
Net Position:		
Net Investment in Capital Assets		1,905,801
Unrestricted		1,018,437
Total Net Position		2,924,238
Total Liabilities & Net Position	$	6,963,971

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
Operating Revenues:	
Charge for Services	$ 1,143,786
Tap Fees	20,800
Finance Charges	25,713
Reconnect Fees	2,900
Miscellaneous Income	55,142
Total Operating Revenues	1,248,341
Operating Expenses:	
Auto-Truck Travel	2,425
Amortization Expenses	1,900
Board of Director Fees	4,770
Chemicals	9,868
Contract Labor	81,467
Depreciation Expense	592,529
Fuel, Oil and Grease	5,750
Insurance	410
Hospital Insurance	33,527
Legal and Accounting	17,944
Licenses/Permits	2,458
Repairs and Maintenance	31,196
Miscelleneous Expenses	2,291
Office	19,464
Pension - PERS	37,985
OPEB	9,743
Postage	7,062
Recording/Filing Fees	228
Salaries	157,068
Supplies	25,028
Payroll Taxes	4,102
Other Taxes	300
Telephone	2,739
Travel and Entertainment	625
Training	1,200
System Electric	59,222
Other Utilities	2,457
Sewer/Beverly Hills	5,779
Water Testing	4,385
Total Operating Expenses	1,123,922
Operating Income	124,419

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
Nonoperating Revenues (Expenses):	
Interest Earned	3,927
Gain/(Loss) on Disposal of Asset	(2,388)
Surcharge/Financed Taps	1,674
Interest Expense	(125,062)
Total Nonoperating Revenues (Expenses)	(121,849)
Change in Net Position Before Capital Contribution	2,570
Capital Contributions	42,792
Change in Net Position	45,362
Net Position, Beginning of Year (Restated - See Note 9)	2,878,876
Net Position, End of Year	$ 2,924,238

See notes to the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 1,182,225
Cash Payments to Suppliers for Goods and Services	(298,917)
Cash Payments to Employees for Services and Benefits	(215,814)
Net Cash Provided by (Used by) Operations	667,493
Cash Flows from Capital and Related Financing Activities:	
Retirement of Long-Term Debt	(520,421)
Acquisition of Property & Equipment and Projects	(72,608)
Interest Paid	(125,062)
Capital Contributions from Principal Forgiveness	42,792
Net Cash Provided by (Used by) Capital and Related Financing Activities	(675,299)
Cash Flows from Investing Activities:	
Investment Income	3,927
Surcharged Finance Taps	1,674
Net Cash Provided (Used) by Investing Activities	5,601
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,205)
Cash and Cash Equivalents - January 1	1,102,671
Cash and Cash Equivalents - December 31	$ 1,100,466
Adjustments to Reconcile Operating Income to Cash Flows From Operating Activities	
Net Operating Income	$ 124,419
Depreciation/Amortization	592,529
Decrease (Increase) in Accounts Receivable	(66,116)
Decrease (Increase) in Deferred Outflows	50,988
Decrease(Increase) in Loan Costs	1,150
Increase/(Decrease) Deferred Inflows	51,208
Increase/(Decrease) Net Pension Liability	(84,517)
Increase/(Decrease) Net OPEB Liability	8,120
Increase/(Decrease) Payroll Withholdings	432
Increase/(Decrease) Accrued Interest Payable	(2,782)
Increase (Decrease) Accounts Payable	(8,317)
Increase (Decrease) Accrued Payroll	379
Total Adjustments	543,074
Net Cash Provided by (Used by) Operating Activities	$ 667,493

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2018 and passed annual appropriations and resolutions.

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

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

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

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less at the time they are purchased to be pooled cash and investments and are reported as “cash and cash equivalents” in the accompanying financial statements.

E. Capital Assets

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

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

F. Net Position

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Contributed Capital

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

H. Estimates

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

I. Pensions/Other Postemployment Benefits (OPEB)

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

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

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

2. DEPOSITS

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

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

2. DEPOSITS (CONTINUED)

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, inducing but not limited to, the federal national mortgage association, federal home bank loan, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

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

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

7. The State Treasurers Investment pool (STAROHIO);

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and

2. DEPOSITS (CONTINUED)

9. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed 10% of the District's average portfolio.

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

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

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

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the 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.

The carrying amount of all District deposits was $1,099,966, exclusive of $500 in cash on hand at December 31, 2018. The District's deposit bank balance as of December 31, 2018 was $1,103,461. The District's balance was covered by FDIC for $360,115 at December 31, 2018. The remainder was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

3. LONG TERM LIABILITIES

Debt outstanding at December 31, 2018 consisted of the following:

		Principal	Interest Rate
LTD-1	OWDA - 7335	$ 695,797	1.27%
LTD-2	OWDA - 2963	58,671	6.51%
LTD-3	OWDA - 2962	1,096,231	6.72%
LTD-4	OWDA - 2118	23,330	6.12%
LTD-5	OWDA - 2119	9,134	6.11%
LTD-6	OWDA - 2120	3,619	5.73%
LTD-7	OWDA - 2893	29,569	2.00%
LTD-8	OWDA - 2183	84,409	5.56%
LTD-9	OWDA - 4162	56,317	1.50%
LTD-18	OWDA - 6220	535,469	2.00%
LTD-19	OWDA - 5328	35,412	0.00%
LTD-20	OWDA - 3412	38,534	2.00%
OPWC-1A	OPWC - CR314	14,094	0.00%
OPWC-2A	OPWC - CR530	25,500	0.00%
OPWC-3A	OPWC - CR729	33,576	0.00%
OPWC-4A	OPWC - CR935	44,630	0.00%
OPWC-5A	OPWC - CR14C	67,826	2.00%
OPWC-6A	OPWC - CR20G	94,746	0.00%
OPWC-7A	OPWC - CR05T	171,773	0.00%
LTD-17A	OPWC - CRN17N	518,487	0.00%
		$ 3,637,124	

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

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

	OWDA		OPWC	
Year Ending December 31:	Principal	Interest	Principal	Interest
2019	$ 438,587	$ 72,972	$ 58,918	$ 678
2020	464,890	56,784	118,118	1,073
2021	492,992	39,472	118,503	690
2022	71,657	21,311	72,255	298
2023	65,848	19,597	52,048	-
2024-2028	260,511	80,964	204,973	-
2029-2033	252,840	61,372	161,466	-
2034-2038	261,694	41,221	115,219	-
2039-2043	269,214	20,401	69,132	-
2044-2048	88,259	4,203	-	-
2049-2053	-	-	-	-
	$ 2,666,492	$ 418,297	$ 970,632	$ 2,740

3. LONG TERM LIABILITIES

A summary of the District's long-term liabilities at December 31, 2018:

	Beginning Balance 12/31/2017	Additions	Reductions	Ending Balance 12/31/2018	Amounts Due in One Year
OWDA - 7335	$ 705,344	$ -	$ (9,547)	$ 695,797	$ 20,790
OWDA - 2963	75,886	-	(17,215)	58,671	18,336
OWDA - 2962	1,416,594	-	(320,363)	1,096,231	341,891
OWDA - 2118	28,347	-	(5,017)	23,330	5,324
OWDA - 2119	10,856	-	(1,722)	9,134	1,828
OWDA - 2120	4,229	-	(610)	3,619	645
OWDA - 2893	33,191	-	(3,622)	29,569	3,695
OWDA - 2183	95,970	-	(11,561)	84,409	12,213
OWDA - 4162	59,204	-	(2,887)	56,317	2,932
OWDA - 6220	551,836	-	(16,367)	535,469	16,697
OWDA - 5328	37,059	-	(1,647)	35,412	1,647
OWDA - 3412	50,875	-	(12,341)	38,534	12,590
OPWC - CR314	19,559	-	(5,465)	14,094	2,750
OPWC - CR530	35,700	-	(10,200)	25,500	5,100
OPWC - CR729	47,005	-	(13,429)	33,576	6,715
OPWC - CR935	62,482	-	(17,852)	44,630	8,926
OPWC - CR14C	86,352	-	(18,526)	67,826	9,403
OPWC - CR20G	110,537	-	(15,791)	94,746	7,896
OPWC - CR05T	184,987	-	(13,214)	171,773	6,607
OPWC - CRN17N	541,531	-	(23,044)	518,487	11,520
Compensated Absences	7,260	379	-	7,639	7,639
Net Pension Liability	264,773	-	(84,517)	180,256	-
Net OPEB Liability	108,074	8,120	-	116,194	-
Total Long-Term Obligations	$ 4,537,652	$ 8,499	$ (604,938)	$ 3,941,213	$ 505,144

4. CAPITAL ASSETS

A summary of the District's assets at December 31, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 258,508	$ -	$ -	$ 258,508
Construction in Progress	6,588	-	-	6,588
Depreciable Capital Assets:				
Buildings	218,960	-	-	218,960
Machinery and Equipment	222,060	-	-	222,060
Office Furniture and Fixtures	43,738	542	-	44,280
Autos and Trucks	47,035	-	-	47,035
Water System	14,075,825	72,066	(35,819)	14,112,072
Less: Accumulated Depreciation:				
Buildings	(9,357)	(5,614)	-	(14,971)
Machinery and Equipment	(138,856)	(30,779)	-	(169,635)
Office Furniture and Fixtures	(40,217)	(751)	-	(40,968)
Autos and Trucks	(44,422)	(2,488)	-	(46,910)
Water System	(8,574,629)	(552,896)	33,431	(9,094,094)
	$ 6,065,233	$ (519,920)	$ (2,388)	$ 5,542,925

5. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage
APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained $350,000 for casualty claims and $100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position
PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (latest available information):

	2017
Assets	$44,452,326
Liabilities	(13,004,011)
Net Position	$31,448,315

At December 31, 2017 the liabilities above include approximately $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District's share of these unpaid claims collectible in future years is approximately $5,276.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2018 Contributions to PEP
$ 8,375

5. RISK MANAGEMENT (CONTINUED)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

6. NEWLY ADOPTED STATEMENTS ISSUED BY GASB

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

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

7. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

Plan Description

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

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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

7. DEFINED BENEFIT PENSION 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 the other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

	Beginning 1/1/2018 State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2018 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution for the period ended June 30, 2018 were $22,766. 100% has been contributed for 2018.

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

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

		Traditional Pension Plan
Proportionate Share of the Net Pension Liability	$	180,256
Proportion of the Net Pension Liability		0.001149%
Increase/(decrease) in % from prior proportion measured		-0.000017%
Pension Expense	$	38,822

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

		Traditional Pension Plan
Deferred Outflows of Resources		
Changes in assumptions	$	21,542
Differences between expected and actual experience		184
Changes in proportion and differences government contributions and proportionate share of contributions		1,134
District contributions subsequent to the measurement date		22,766
Total Deferred Outflows of Resources	$	45,626
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	38,700
Differences between expected and actual experience		3,553
Changes in proportion and differences government contributions and proportionate share of contributions		1,875
Total Deferred Inflows of Resources	$	44,128

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

$22,766 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending December 31:	Traditional Pension Plan
2019	$ 16,232
2020	(4,558)
2021	(17,041)
2022	(15,901)
Total	$ (21,268)

Actuarial Assumptions - OPERS

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

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

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

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2017, are presented below:

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

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

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

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

During 2017 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.92% for 2017.

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 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:

Emoloyer's Net Pension Liability/(Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Traditional Pension Plan	$ 320,088	$ 180,256	$ 63,678

8. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

8. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

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

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

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

Plan Description

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

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary authority over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2017. OPERS allocated 1.0% of employer contributions to post-employment health care.

8. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Net OPEB Liability

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

	OPERS
Proportionate Share of the Net OPEB Liability	$ 116,194
Proportion of the Net OPEB Liability	0.001070%
Increase/(decrease) in % from prior proportion measured	0.000000%
OPEB Expense	$ 9,743

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

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	$ 8,461
Differences between expected and actual experience	92
Total Deferred Outflows of Resources	$ 8,553
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 8,656
Total Deferred Inflows of Resources	$ 8,656

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

Fiscal Year Ending December 31:	OPERS
2019	$ 1,924
2020	1,924
2021	(1,786)
2022	(2,165)
Total	$ (103)

8. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

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

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

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

8. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

	1% Decrease 2.85%	Current Discount Rate 3.85%	1% Increase 4.85%
District's proportionate share of the net OPEB liability	$ 154,369	$ 116,194	$ 85,311

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$ 111,173	$ 116,194	$ 121,381

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

Asset Class	Target Allocation for 2017	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equities	21.00%	6.37%
International Equities	22.00%	0.00%
Fixed Income	34.00%	1.88%
REITs	6.00%	5.91%
Other Investments	17.00%	974300.00%
Total	100.00%	4.98%

8. DEFINED BENEFIT OPEB PLAN (CONTINUED)

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by 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% for 2017.

9. RESTATEMENT FOR CHANGES IN ACCOUNTING PRINCIPLES

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

Net position as previously reported at December 31, 2017	$ 2,985,429
Prior period adjustment	
Beginning new OPEB liability	(108,074)
Deferred outflows of resources - 2017 OPEB contributions	1,521
Total prior period adjustment	(106,553)
Net position as restated, December 31, 2017	$ 2,878,876

10. SUBSEQUENT EVENTS

The District has evaluated events subsequent to the date of the basic financial statements through July 31, 2019 the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial date through July 31, 2019 that would require adjustment or disclosure in the financial statements.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2018
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.001149%	0.001166%	0.001142%	0.001130%	0.001130%
District's Proportionate Share of the Net Pension Liability	$ 180,256	$ 264,773	$ 197,805	$ 136,291	$ 133,212
District's Covered Payroll	$ 152,023	$ 150,558	$ 142,192	$ 138,575	$ 165,867
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.6%	175.86%	139.11%	98.35%	80.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

*Will be built prospectively.

Amounts presented as of the District's measurement date, which is the prior year end.

See Notes to Required Supplementary Information.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
Ohio Public Employees Retirement System - Traditional Plan
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 22,766	$ 19,763	$ 18,067	$ 17,063	$ 16,629
Contributions in Relation to the Contractually Required Contribution	(22,766)	(19,763)	(18,067)	(17,063)	(16,629)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 162,615	$ 152,023	$ 150,558	$ 142,192	$ 138,575
Contributions as Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%

See Notes to Required Supplementary Information.

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

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DECEMBER 31, 2018

Ohio Public Employees Retirement System
Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net Pension Liability	0.001070%	0.001070%
District's Proportionate Share of the Net Pension Liability	$ 116,194	$ 108,074
District's Covered Payroll	$ 152,023	$ 150,558
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	76.4%	71.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.14%	54.05%

(1) Information prior to 2016 is not available.
(2) Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

*Will be built prospectively.

See Notes to Required Supplementary Information.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	2018	2017
Contractually Required Contribution	$ -	$ 1,506
Contributions in Relation to the Contractually Required Contribution	-	1,506
Contribution Deficiency (Excess)	$ -	$ -
District Covered Payroll	$ 162,615	$ 152,023
Contributions as Percentage of Covered Payroll	0.00%	1.00%

See Accompanying Notes to the Required Supplementary Information.

(1) Information prior to 2016 is not available.
(2) Information is presented on a fiscal year basis, consistent with the District's financial statements.

Changes in Assumptions – OPERS

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

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

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

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

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

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

To the District 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 Tri-County Rural Water and Sewer District, Washington County, (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 28, 2020, wherein, during 2018, we noted that the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 determination of financial statement amounts. 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.*

However, we noted a certain other matter not requiring inclusion in this report that we reported to management in a separate letter dated July 28, 2020.

Purpose of this Report

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
July 28, 2020

OHIO AUDITOR OF STATE
KEITH FABER

TRI-COUNTY RURAL WATER AND SEWER DISTRICT

WASHINGTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 10/13/2020

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