WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019-2018

OHIO AUDITOR OF STATE
KEITH FABER

WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY
DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

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

INDEPENDENT AUDITOR'S REPORT

Western Guernsey Regional Water District
Guernsey County
61786 Shaw Road
Cambridge, Ohio 43725

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Western Guernsey Regional Water District, Guernsey County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Western Guernsey Regional Water District, Guernsey County, Ohio, as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the 2019 financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

September 30, 2020

The discussion and analysis of the Western Guernsey Regional Water District's (the "District") financial performance provides an overall review of the District's financial activities for the years ended December 31, 2019 and 2018. Readers should also review the basic financial statements and notes to enhance their understanding of the Western Guernsey Regional Water District's financial performance.

Financial Highlights

Key financial highlights for 2019 and 2018 are as follows:

- Total operating revenues were $883,604 and $925,942 for 2019 and 2018 respectively.
- Total operating expenses were $846,181 for 2019 and $884,176 for 2018.
- Net position increased $36,838 in 2019, which represents a 4 percent increase from 2018. In 2018 net position increased $35,922, which represents a 4 percent increase from 2017.
- Outstanding debt decreased from $1,087,880 to $1,053,699 in 2019.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the District did financially during the years ended December 31, 2019 and 2018. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting. This basis of accounting considers all of the District's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the District has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

Table 1 provides a summary of the District's net position as of December 31, 2019, 2018 and 2017.

Table 1
Net Position

	2019	2018	Restated 2017
Assets			
Current and Other Assets	$ 637,481	$ 549,389	$ 500,564
Noncurrent Assets	1,763,338	1,817,103	1,826,443
Total Assets	2,400,819	2,366,492	2,327,007
Deferred Outflows of Resources			
Pension	94,039	48,231	103,260
OPEB	12,017	10,841	1,493
Total Deferred Outflows of Resources	106,056	59,072	104,753
Liabilities			
Current Liabilities	80,242	109,643	106,909
Noncurrent Liabilities:			
Due Within One Year			
Due in More Than One Year			
Net Pension Liability	309,484	177,290	247,440
Net OPEB Liability	137,156	114,494	102,922
Other Amounts	1,018,917	1,053,699	1,087,880
Total Liabilities	1,545,799	1,455,126	1,545,151
Deferred Inflows of Resources			
Pension	4,135	42,324	2,946
OPEB	518	8,529	0
Total Deferred Inflows of Resources	4,653	50,853	2,946
Net Position			
Net Investment in Capital Assets	709,639	729,223	704,972
Restricted	309,332	357,199	323,357
Unrestricted	(62,548)	(166,837)	(144,666)
Total Net Position	$ 956,423	$ 919,585	$ 883,663

Collectively, the net pension liability (NPL), pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability (NOL), pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* are the largest liabilities reported by the District at December 31, 2019. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $1,000,536 to $883,663.

At year end, capital assets represented 73 and 77 percent of total assets for 2019 and 2018, respectively. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, office equipment and infrastructure. Capital assets, net of related debt was $709,639 at December 31, 2019 and $729,223 at December 31, 2018. These capital assets are used to provide services to citizens and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Disrtict's net position for December 31, 2019 and 2018 in the amount of $309,332 and $357,199, respectively, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of $62,548 and $166,837 for December 31, 2019 and 2018, respectively, may be used to meet the government's ongoing obligations to citizens and creditors. The deficit balance is due to GASB 68 and 75.

The following fluctuations occurred between 2019 and 2018:

Current assets increased $88,092, primarily due to increased cash balances, which were the result of reduction of operating expenses. This reduction was mainly seen in contract services. Total liabilities increased $90,673 due to an increase in the net pension and OPEB liabilities, offset by a reduction in accounts payable. The increase in deferred outflows of resources and the decrease in deferred inflows of resources were directly related to changes in GASB 68 and 75 amounts reported by OPERS.

The following fluctuations occurred between 2018 and 2017:

Current assets increased $48,825, primarily due to increased cash balances, which were the result of charges for services revenue increasing and operating expenses remaining consistent with 2017 expenses. Total liabilities decreased $90,025 due to repayment of debt and a decrease in the GASB 68 net pension liability. The decrease in deferred outflows of resources and the increase in deferred inflows of resources were directly related to changes in GASB 68 and 75 amounts reported by OPERS.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019, 2018 and 2017.

Table 2
Changes in Net Position

	2019	2018	2017
Operating Revenues			
Charges for Services	$ 883,604	$ 925,942	$ 884,470
Non-Operating Revenues			
Interest	3,344	1,231	441
Other	14,664	12,165	4,225
Total Revenues	901,612	939,338	889,136
Operating Expenses			
Contract Services	370,143	431,706	387,665
Professional Fees	8,135	34,553	5,853
Advertising	2,266	1,171	323
Bank Charges	174	0	148
Wages	176,741	152,094	147,899
Employee Benefits	88,374	58,440	61,386
Postage and Office Supplies	11,031	12,737	11,249
Group Insurance	25,557	11,995	7,819
Insurance	15,164	5,523	7,679
Small Tools and Supplies	0	1,176	269
Ground Maintenance	510	680	1,593
Real Estate Tax	132	0	0
Workers compensation	2,037	991	2,346
Outside Services	19,341	29,998	19,614
Depreciation	53,765	47,825	49,243
Dues and Subscriptions	3,095	1,167	1,973
Vehicle Expense	10,869	10,766	9,710
Phone and Utilities	20,442	20,600	23,954
Training	0	945	0
Licenses and Permits	2,412	5,982	200
Rentals	0	150	0
Repairs	35,015	51,525	139,866
Bed Debt	409	3,500	0
Miscellaneous	569	652	6,117
Non-Operating Expenses			
Interest Expense	18,593	19,240	19,674
Total Expenses	864,774	903,416	904,580
Change in Net Position	36,838	35,922	(15,444)
Net Position Beginning of Year	919,585	883,663	1,000,536
Restatement	0	0	(101,429)
Net Position End of Year	**$ 956,423**	**$ 919,585**	**$ 883,663**

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $1,493 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $10,753. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities
Total 2018 Expenses under GASB 75	$ 903,416
OPEB Expense under GASB 75	(10,753)
Adjusted 2018 Expenses	892,663
Total 2017 Expenses under GASB 45	904,580
Increase/(Decrease) in Expenses not Related to OPEB	$ (11,917)

Capital Assets and Debt Administration

Capital Assets

Table 3 provides a summary of the District's capital assets as of December 31, 2019, 2018 and 2017.

Table 3
Capital Assets at December 31
(Net of Accumulated Depreciation)

	2019	2018	2017
Buildings and Improvements	$ 23,592	$ 24,536	$ 25,481
Infrastructure	1,689,604	1,729,065	1,768,524
Machinery and Equipment	1,896	2,607	710
Vehicles	35,746	48,395	19,228
Land	12,500	12,500	12,500
Total	$ 1,763,338	$ 1,817,103	$ 1,826,443

In 2019 and 2018, capital assets decreased by $53,765 and $9,340, respectively which is attributable to current year depreciation exceeding additional purchases. Depreciation expense amounted to $53,765, $47,825 and $49,243 during 2019, 2018 and 2017, respectively. Note 5 provides capital asset activity during the 2019 and 2018.

Debt Administration

The outstanding debt for the District at December 31, is summarized in Table 4.

Table 4
Outstanding Debt, at December 31

	2019	2018	2017
Ohio Water Development Authority (OWDA) Loan	$ 1,053,699	$ 1,087,880	$ 1,121,470

Additional information concerning the District's debt can be found in Note 4 to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact the Clerk, Western Guernsey Regional Water District, 61786 Shaw Road, Cambridge, Ohio 43725-9441.

This page intentionally left blank.

WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 170,753	$ 28,790
Segregated Accounts:		
Indebt Service	94,222	182,402
Capital Improvement	215,110	174,797
Interest Receivable	2,076	0
Accounts Receivable	144,086	153,206
Inventories	11,234	10,194
Total Current Assets	637,481	549,389
Noncurrent Assets:		
Capital Assets		
Buildings and Improvements	101,872	101,872
Infrastructure	2,780,656	2,780,656
Machinery and Equipment	48,462	48,462
Vehicles	89,183	107,533
Office Equipment	1,439	1,439
	3,021,612	3,039,962
Less: Accumulated Depreciation	(1,270,774)	(1,235,359)
	1,750,838	1,804,603
Land	12,500	12,500
Total Noncurrent Assets	1,763,338	1,817,103
Total Assets	2,400,819	2,366,492
Deferred Outflows of Resources		
Pension	94,039	48,231
OPEB	12,017	10,841
Total Deferred Outflows of Resources	106,056	59,072
LIABILITIES		
Current Liabilities		
Current Portion, Long-Term Debt	$ 34,782	$ 34,181
Accounts Payable	19,768	51,585
Accrued Interest	9,128	9,424
Accrued Liabilities	6,485	3,766
Customer Deposits	10,079	10,687
Total Current Liabilities	80,242	109,643
Noncurrent Liabilities		
Long-Term Debt Net of Current Portion	1,018,917	1,053,699
Net Pension Liability	309,484	177,290
Net OPEB Liability	137,156	114,494
Total Noncurrent Liabilities	1,465,557	1,345,483
Total Liabilities	1,545,799	1,455,126
Deferred Inflows of Resources		
Pension	4,135	42,324
OPEB	518	8,529
Total Deferred Inflows of Resources	4,653	50,853
NET POSITION:		
Net Investment in Capital Assets	709,639	729,223
Restricted for Debt Service	94,222	182,402
Restricted for Capital Improvements	215,110	174,797
Unrestricted	(62,548)	(166,837)
Total Net Position	$ 956,423	$ 919,585

See accompanying notes to the basic financial statements.

WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating Revenue:		
Charges for Services	$ 883,604	$ 925,942
Operating Expenses:		
Contract Services	370,143	431,706
Professional Fees	8,135	34,553
Advertising	2,266	1,171
Bank Charges	174	0
Wages	176,741	152,094
Employee Benefits	88,374	58,440
Postage and Office Supplies	11,031	12,737
General Insurance	15,164	5,523
Group Insurance	25,557	11,995
Workers Compensation	2,037	991
Small Tools and Supplies	0	1,176
Ground Maintenance	510	680
Real Estate Tax	132	0
Outside Services	19,341	29,998
Depreciation	53,765	47,825
Dues and Subscriptions	3,095	1,167
Vehicle Expense	10,869	10,766
Phone and Utilities	20,442	20,600
Training	0	945
Licenses and Permits	2,412	5,982
Rentals	0	150
Repairs	35,015	51,525
Bad Debt	409	3,500
Miscellaneous	569	652
Total Operating Expenses	846,181	884,176
Operating Income (Loss)	37,423	41,766
Non-Operating Revenues (Expenses):		
Rental Income	170	1,190
Hydrant Assessments	0	1,650
Gain on Sale of Asset	6,050	4,686
Miscellaneous	8,444	139
Tap Purchases	0	4,500
Interest Revenue	3,344	1,231
Interest Expense	(18,593)	(19,240)
Total Non-Operating Revenue (Expenses)	(585)	(5,844)
Change in Net Position	36,838	35,922
Net Position, Beginning of Period	919,585	883,663
Net Position, End of Period	$ 956,423	$ 919,585

See accompanying notes to the basic financial statements.

WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 892,724	$ 903,146
Cash Paid to Suppliers and Employees	(763,566)	(798,388)
Net Cash Provided by Operating Activities	129,158	104,758
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Rental Income	170	1,190
Hydrant Assessments	0	1,650
Tap Purchases	0	4,500
Miscellaneous	8,444	139
Net Cash Provided by Noncapital Financing Activities	8,614	7,479
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	3,344	1,231
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds From the Sale of Equipment	6,050	4,686
Purchase of Capital Assets	0	(38,485)
Payments of Long-Term Debt	(34,181)	(33,590)
Interest Paid	(18,889)	(19,531)
Net Cash Used for Capital and Related Financing Activities	(47,020)	(86,920)
Net Increase (Decrease) in Cash and Cash Equivalents	94,096	26,548
Cash and Cash Equivalents, Beginning of Period	385,989	359,441
Cash and Cash Equivalents, End of Period	$ 480,085	385,989
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ 37,423	$ 41,766
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	53,765	47,825
(Increase) Decrease in Assets and Deferred Outflows:		
Accounts Receivable	9,120	(22,796)
Inventory	(1,040)	519
Interest Receivable	(2,076)	0
Deferred Outflows-Pension	(45,808)	55,029
Deferred Outflows-OPEB	(1,176)	(9,348)
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable	(31,817)	(1,874)
Deferred Inflows-Pension	(38,189)	39,378
Deferred Inflows-OPEB	(8,011)	8,529
Net Pension Liability	132,194	(70,150)
Net OPEB Liability	22,662	11,572
Accrued Liabilities	2,719	(333)
Customer Deposits	(608)	4,641
Net Cash Provided by Operating Activities	$ 129,158	104,758

See accompanying notes to the basic financial statements.

This page intentionally left blank.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

Western Guernsey Regional Water District Guernsey County (the "District") was organized under the provisions of Section 6119 of the Ohio Revised Code on June 1, 2004. Prior to that date, the District was operated as a not-for-profit corporation known as Western Guernsey Services Company. The District furnishes water service to customers in the rural areas of Guernsey County, Ohio. Customers are billed on a monthly basis for water used and are included in accounts receivable until paid.

B. Basis of Presentation

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

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

C. Measurement Focus and Basis of Accounting

Transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. Net position (i.e., equity) is segregated into net investment in capital assets, restricted for purpose, and unrestricted components. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The District uses the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 6 and 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position. (See Notes 6 and 7).

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. Accounts Receivable

Bad debts expense has been minimal and, as a result, accounts receivable do not include an allowance for doubtful accounts. The District has the ability under the provision of Ohio Rev. Code Section 6119.06 (W) to certify unpaid charges to the County Auditor and place a lien upon the property.

G. Inventory

Inventory consists of water meters and repair parts. Inventory is stated at the lower of cost or market value based on the first-in, first-out method (FIFO) and is expensed when used.

H. Capital Assets

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

Description	Estimated Life	Method
Land	N/A	N/A
Buildings and Improvements	30-40 years	Straight line
Infrastructure	10-50 years	Straight line
Machinery and Equipment	10 years	Straight line
Vehicles	5 years	Straight line
Office Equipment	5 years	Straight line

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the financial statements. In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources. Net pension/OPEB liability should be recognized to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

The District records obligations not expected to be financed within one year by available financial resources as long-term debt, which consist of an Ohio Water Development Authority (OWDA) Loan.

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 positon 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.

K. Net Position

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

L. Accumulated Leave

All full time permanent employees are entitled to vacation leave, with pay, after the completion of one full year of employment. Vacation leave must be taken by the employee during the year following that in which it was accrued however in special cases the Board may permit an employee to carry over vacation leave to the following year. In no case is any employee allowed to carry over more than one year’s accrued vacation for longer than two years. At the time of separation, an employee is entitled to compensation at their current rate of pay for the pro-rated portion of any earned but unused vacation leave for the current year and for any unused vacation leave from a prior period accrued to the employee’s credit with the approval of the Board.

All employees earn sick leave at the rate of 4.6 hours for each 80 hours in active pay status. Employees with a minimum of ten years of service may receive 25 percent of their accumulated sick leave, not to exceed thirty days, upon retirement through OPERS.

As of December 31, 2019 the District’s employees had not accrued any significant leave balances.

M. Revenue and Expenses

Operating revenues and expenses result from providing water conveyance services. Operating revenues consist of user charges for water services based on water consumption. Operating expenses include the cost of these water services, including administrative expenses. Revenues and expenses which do not meet these definitions are reported as Non-Operating Revenues or Expenses.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Implementation of New Accounting Principles

For the year ended December 31, 2019, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2019, the District has early implemented GASB No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61.*

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the District's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

NOTE 2: EQUITY IN POOLED CASH AND EQUIVALENTS

State statute outlines allowable deposits and investments for the District. The District may invest in certificates of deposit, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

A. Cash on Hand

For the years ended December 31, 2019 and 2018, the District had $150 in undeposited cash on hand which is included as part of "Cash and Cash Equivalents."

B. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The bank balances were $480,003 and $396,366, respectively. Of the District's bank balances, $35,781 of December 31, 2019 was exposed to custodial risk, while $444,222 was covered by FDIC. The December 31, 2018 bank balances were covered by FDIC insurance.

The District has no deposit policy for custodial credit risk beyond the requirements of State statue. Ohio law requires that deposits be insured or be protected by;

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

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

NOTE 3: RECEIVABLES

Receivables at December 31, 2019 consisted of $144,086 in water service billings due from water system users during January and February 2020. Receivables at December 31, 2018 consisted of $153,206 in water service billings due from water system users during January and February 2019.

NOTE 4: LONG-TERM DEBT OBLIGATIONS

The District had the following long-term debt obligations as of December 31, 2019 and December 31, 2018:

	Outstanding 1/1/2019	Additions	Reductions	Outstanding 12/31/2019	Amounts Due In One Year
Direct Borrowings:					
Ohio Water Development Authority (OWDA) Loan, issued February 2013. Semi-annual payments begin in July 2014 and include interest at 1.75%. Final payment will be made January 2044.	$ 1,087,880	$ 0	$ 34,181	$ 1,053,699	$ 34,782
Net Pension/OPEB Liability:					
Pension	177,290	132,194	0	309,484	0
OPEB	114,494	22,662	0	137,156	0
Total Net Pension/OPEB Liability	291,784	154,856	0	446,640	0
Total Dierecr Borrowings and Net Pension/OPEB Liability	$ 1,379,664	$ 154,856	$ 34,181	$ 1,500,339	$ 34,782

	Restated Outstanding 1/1/2018	Additions	Reductions	Outstanding 12/31/2018	Amounts Due In One Year
Loan Payable:					
Ohio Water Development Authority (OWDA) Loan, issued February 2013. Semi-annual payments begin in July 2014 and include interest at 1.75%. Final payment will be made January 2044.	$ 1,121,470	$ 0	$ 33,590	$ 1,087,880	$ 34,181
Net Pension/OPEB Liability:					
Pension	247,440	0	70,150	177,290	0
OPEB (Restated)	102,922	11,572	0	114,494	0
Total Net Pension/OPEB Liability	350,362	11,572	70,150	291,784	0
Total Loans Payable and Net Pension/OPEB Liability	$ 1,471,832	$ 11,572	$ 103,740	$ 1,379,664	$ 34,181

There are no repayment schedules for the net pension liability and net OPEB liability. For additional information related to the net pension liability and net OPEB liability, see Notes 6 and 7.

During year ended December 31, 2013 the District entered into a loan for $1,850,553 with the OWDA for a waterline replacement. As of December 31, 2016, entire loan amount had been drawn down on the loan. In 2013, the OWDA forgave $549,397 of the loan. The OWDA adjusted the amount of forgiveness on the loan in 2016 by $29,103.

In the event of default, as defined by the OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the District to pay any fines or penalties incurred with interest.

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

Year-Ending	OWDA Loan	
December 31:	Principal	Interest
2020	$ 34,782	$ 18,288
2021	35,393	17,677
2022	36,015	17,055
2023	36,648	16,422
2024	37,292	15,778
2025-2029	196,526	68,823
2030-2034	214,416	50,932
2035-2039	233,933	31,417
2040-2044	228,694	10,120
Total	$ 1,053,699	$ 246,512

This space intentionally left blank.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Nondepreciable Capital Assets				
Land	$ 12,500	$ 0	$ 0	$ 12,500
Depreciable Capital Assets				
Buildings and Improvements	101,872	0	0	101,872
Infrastructure	2,780,656	0	0	2,780,656
Machinery and Equipment	48,462	0	0	48,462
Vehicles	107,533	0	(18,350)	89,183
Office Equipment	1,439	0	0	1,439
Total Depreciable Capital Assets	3,039,962	0	(18,350)	3,021,612
Less Accumulated Depreciation				
Buildings and Improvements	(77,336)	(944)	0	(78,280)
Infrastructure	(1,051,591)	(39,461)	0	(1,091,052)
Machinery and Equipment	(45,855)	(711)	0	(46,566)
Vehicles	(59,138)	(12,649)	18,350	(53,437)
Office Equipment	(1,439)	0	0	(1,439)
Total Accumulated Depreciation	(1,235,359)	(53,765)	18,350	(1,270,774)
Depreciable Capital Assets, Net of Accumulated Depreciation	1,804,603	(53,765)	0	1,750,838
Total Capital Assets	$ 1,817,103	$ (53,765)	$ 0	$ 1,763,338

	Balance 1/1/18	Additions	Deletions	Balance 12/31/18
Nondepreciable Capital Assets				
Land	$ 12,500	$ 0	$ 0	$ 12,500
Depreciable Capital Assets				
Buildings and Improvements	101,872	0	0	101,872
Infrastructure	2,780,656	0	0	2,780,656
Machinery and Equipment	50,987	2,225	(4,750)	48,462
Vehicles	76,773	36,260	(5,500)	107,533
Office Equipment	1,439	0	0	1,439
Total Depreciable Capital Assets	3,011,727	38,485	(10,250)	3,039,962
Less Accumulated Depreciation				
Buildings and Improvements	(76,391)	(945)	0	(77,336)
Infrastructure	(1,012,132)	(39,459)	0	(1,051,591)
Machinery and Equipment	(50,277)	(328)	4,750	(45,855)
Vehicles	(57,545)	(7,093)	5,500	(59,138)
Office Equipment	(1,439)	0	0	(1,439)
Total Accumulated Depreciation	(1,197,784)	(47,825)	10,250	(1,235,359)
Depreciable Capital Assets, Net of Accumulated Depreciation	1,813,943	(9,340)	0	1,804,603
Total Capital Assets	$ 1,826,443	$ (9,340)	$ 0	$ 1,817,103

NOTE 6: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

Net Pension Liability/Net OPEB Liability

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* and *net OPEB liability*. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in accounts payable.

The remainder of this note includes the pension disclosures. See Note 7 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to 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, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age 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 who retired prior to January 7, 2013, the COLA will continue to be a three 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 (CPI), capped at three percent.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for 2019 and 2018:

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $23,012 and $21,565 for 2019 and 2018, respectively. Of the amount, $4,313 and $-0- for 2019 and 2018, respectively, is reported as employee benefits.

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

The net pension liability for OPERS was measured as of December 31, 2018 and 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:

	OPERS Traditional Plan 2019	OPERS Traditional Plan 2018
Proportion of the Net Pension Liability:		
Current Measurement Period	0.001130%	0.001130%
Prior Measurement Period	0.001130%	0.001090%
Change in Proportion	0.000000%	0.000040%
Proportionate Share of the Net Pension Liability	$ 309,484	$ 177,290
Pension Expense	$ 71,209	$ 45,821

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan 2019	OPERS Traditional Plan 2018
Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$ 42,004	$ 0
Differences between Expected and Actual Experience	14	181
Changes of Assumptions	26,941	21,188
Changes in Proportionate Share	2,068	5,297
District Contributions Subsequent to the Measurement Date	23,012	21,565
Total Deferred Outflows of Resources	$ 94,039	$ 48,231
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 4,064	$ 3,494
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	38,064
Changes in Proportionate Share	71	766
Total Deferred Inflows of Resources	$ 4,135	$ 42,324

$23,012 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:		OPERS
2020	$	29,917
2021		13,542
2022		3,898
2023		19,535
	$	66,892

Actuarial Assumptions - OPERS

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

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

Actuarial Information	**Traditional Pension Plan**
Valuation Date	December 31, 2018
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	
Current Measurement Date	7.20 percent
Prior Measurement Date	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent 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 table.

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

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

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

The allocation of investment assets within 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	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 %

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent for 2018 and 7.50 percent for 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, 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 7.20 percent for 2019 and 7.50 percent for 2017, 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 (6.20 percent for 2018 and 6.50 percent for 2017) or one-percentage-point higher (8.20 percent for 2018 and 8.50 percent for 2017) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability Calender Year 2019	$ 457,198	$ 309,484	$ 186,733
District's Proportionate Share of the Net Pension Liability Calender Year 2018	$ 314,821	$ 177,290	$ 62,630

NOTE 7: DEFINED BENEFIT OPEB PLANS

See Note 6 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019 and 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2019 and 2018.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017 and 2016, rolled forward to the measurement date of December 31, 2018 and 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2019	2018
Proportion of the Net OPEB Liability:		
Current Measurement Period	0.001052%	0.001054%
Prior Measurement Period	0.001054%	0.001019%
Change in Proportion	-0.000002%	0.000035%
Proportionate Share of the Net OPEB Liability	$ 137,156	$ 114,494
OPEB Expense	$ 13,475	$ 10,753

At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS Traditional Plan			
	2019		2018	
Deferred Outflows of Resources				
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$	6,288	$	0
Differences between Expected and Actual Experience		46		89
Changes of Assumptions		4,422		8,336
Changes in Proportionate Share		1,261		2,416
Total Deferred Outflows of Resources	$	12,017	$	10,841
Deferred Inflows of Resources				
Differences between Expected and Actual Experience	$	372	$	8,529
Changes in Proportionate Share		146		0
Total Deferred Inflows of Resources	$	518	$	8,529

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

Year Ending December 31:	OPERS	
2020	$	6,000
2021		1,298
2022		1,035
2023		3,166
2024		0
Thereafter		0
	$	11,499

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017 and 2016, rolled forward to the measurement date of December 31, 2018 and 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

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

The most recent experience study was completed for the five year period ended December 31, 2015. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

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

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

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

Discount Rate-Current Measurement Period A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent for 2018 and 3.85 percent for 2017, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent for 2018 and 2.85 percent for 2017) or one-percentage-point higher (4.96 percent for 2018 and 4.85 percent for 2017) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability Calender Year 2019	$ 175,474	$ 137,156	$ 106,683
District's Proportionate Share of the Net OPEB Liability Calender Year 2018	$ 152,111	$ 114,494	$ 84,063

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent and in 2018 was 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability Calender Year 2019	$ 131,837	$ 137,156	$ 143,282

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability Calender Year 2018	$ 109,547	$ 114,494	$ 119,605

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, inquiries to employees and natural disasters. Significant risk of losses is covered by commercial insurance. The District has not significantly reduced this coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

NOTE 9: SUBSEQUENT EVENTS

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

This page intentionally left blank.

Western Guernsey Regional Water District
Guernsey County, Ohio
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)						
District's Proportion of the Net Pension Liability	0.001130%	0.0011301%	0.0010896%	0.0011070%	0.0009340%	0.0009340%
District's Proportionate Share of the Net Pension Liability	$ 309,484	$ 177,290	$ 247,440	$ 191,746	$ 112,651	$ 110,106
District's Covered Payroll	$ 154,036	$ 149,343	$ 138,242	$ 128,258	$ 114,483	$ 121,369
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.92%	118.71%	178.99%	149.50%	98.40%	90.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Western Guernsey Regional Water District
Guernsey County, Ohio
Required Supplementary Information
Schedule of the District's Contributions - Pension
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)							
Contractually Required Contribution	$ 23,012	$ 21,565	$ 19,415	$ 16,589	$ 15,391	$ 13,738	$ 15,778
Contributions in Relation to the Contractually Required Contribution	(23,012)	(21,565)	(19,415)	(16,589)	(15,391)	(13,738)	(15,778)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District's Covered Payroll	$ 164,371	$ 154,036	$ 149,343	$ 138,242	$ 128,258	$ 114,483	$ 121,369
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

Western Guernsey Regional Water District
Guernsey County, Ohio
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
Last Three Years (1)

	2019	2018	2017
Ohio Public Employees' Retirement System (OPERS)			
District's Proportion of the Net OPEB Liability	0.001052%	0.0010543%	0.0010190%
District's Proportionate Share of the Net OPEB Liability	$ 137,156	$ 114,494	$ 102,922
District's Covered Payroll	$ 154,036	$ 149,343	$ 138,242
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.04%	76.67%	74.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Western Guernsey Regional Water District
Guernsey County, Ohio
Required Supplementary Information
Schedule of the District's Contributions - OPEB
Last Four Years (1)

	2019	2018	2017	2016
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 0	$ 0	$ 1,493	$ 2,765
Contributions in Relation to the Contractually Required Contribution	0	0	(1,493)	(2,765)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
District's Covered Payroll (2)	$ 164,371	$ 154,036	$ 149,343	$ 138,242
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in fiscal year 2018 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For fiscal year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

For fiscal year 2019, the follow actuarial assumption changes were made:

Single Discount Rate	
Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

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

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

Western Guernsey Regional Water District
Guernsey County
61786 Shaw Road
Cambridge, Ohio 43725

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the major fund of the Western Guernsey Regional Water District, Guernsey County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 2020. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2019-001.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

September 30, 2020

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Noncompliance/Significant Deficiency

Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

According to Ohio Rev. Code § 5705.28(B)(2), a water district is still required to follow Ohio Rev. Code §§ 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission. Also, while Ohio Rev. Code § 5705.39 does not apply, § 5705.28(B)(2)(c) prohibits appropriations from exceeding estimated revenue (i.e. receipts + beginning unencumbered cash).

Ohio Rev. Code § 5705.44 contains an exception that payments made from “earnings” are not required to use the Ohio Rev. Code § 5705.41(D) certificate. Therefore, payments from the utility operating fund do not require certification. (However, payments from utility grant funds do require certification.)

Ohio Admin. Code § 117-2-02 requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code § 117-2-02(D)(3) states all local public offices should include an appropriation ledger, which may assemble and classify disbursements or expenditures/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The District did not comply with the aforementioned budgetary laws for the periods ended December 31, 2019 and 2018. The District did not pass appropriations for 2019 or 2018. The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not integrated with the accounting system or maintained manually.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Entity should integrate budgetary measures to the accounting system. This would allow proper monitoring of budget to actual results.

Officials’ Response: We did not receive a response from Officials to this finding.

This page intentionally left blank.

WESTERN GUERNSEY REGIONAL WATER DISTRICT
61786 Shaw Road
Cambridge, Ohio 43725
740-432-7298
Fax 740-435-8008
email: westernguernseyregionalwater@gmail.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance/Significant Deficiency under Ohio Rev. Code § 5705.28(B) and § 5705.41(D) – the District did not comply with budgetary laws.	Not Corrected.	Repeated as Finding 2019-001.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

WESTERN GUERNSEY REGIONAL WATER DISTRICT

GUERNSEY 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 10/20/2020

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