



LORAIN COUNTY RURAL WASTEWATER DISTRICT

LORAIN COUNTY

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2023 & 2022**



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

Board of Trustees
Lorain County Rural Wastewater District
22898 West Road
Wellington, OH 44090

We have reviewed the *Independent Auditor's Report* of the Lorain County Rural Wastewater District, Lorain County, prepared by Canter & Associates, for the audit period January 1, 2022 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

January 14, 2026

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**LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY**

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6400 OLDE STONE CROSSING
POLAND, OHIO 44514
PH: 330.707.9035
FAX: 888.516.1186

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WWW.CANTERCPA.NET

INDEPENDENT AUDITOR'S REPORT

Lorain County Rural Wastewater District
Lorain County
22898 West Road
Wellington, Ohio 44090

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Lorain County Rural Wastewater District (the District), Lorain County, Wellington, Ohio as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lorain County Rural Wastewater District, Lorain County, Wellington, Ohio and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension and Postemployment Benefit Liabilities, Pension and Postemployment Benefit Contributions and Net Pension Asset, listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance.

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



CANTER & ASSOCIATES

Poland, Ohio
June 15, 2025

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

(Unaudited)

This discussion and analysis, along with the accompanying financial reports of Lorain County Rural Wastewater District (District), is designed to provide our customers, creditors, and other interested parties with a general overview of the District and its financial activities.

During 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of 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 and net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension and 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 equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension and 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 pension 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 and OPEB plans 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

(Unaudited)

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 and the net OPEB liability. As explained above, changes in pension 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 pension 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.

FINANCIAL HIGHLIGHTS

The total liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources by 5,149,626 at year end 2023.

The District's net position increased by \$517,637 (-9.1%) in 2023.

The District had an increase in Operating Revenues of \$236,051 (8.5%) in 2023. Operating Expenses increased \$529,013 (13.7%) in 2023.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single fund using proprietary fund accounting, similar to a private sector business. The District is described in Note 2, Summary of Significant Accounting Policies. The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

(Unaudited)

OVERVIEW OF BASIC FINANCIAL STATEMENTS (Continued)

The **Statement of Revenues and Expenses, and Changes in Net Position** provides information on the District's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and disbursements from operations, investing, and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR

The District completed a 4.5 mile-long sanitary sewer force main from Cinnamon Lake (Jackson Township, Ashland County) to the Village of West Salem. The total project cost was approximately \$2.2m. Project funds came from a variety of sources including Ohio Department of Development Wastewater Infrastructure Grant (ODOD WWIG), Ashland County Commissioners ARPA Grant, and Water Pollution Control Loan Fund (WPCLF).

The District started Phase 1 (Eaton and Carlisle Townships) Slife Road lift station replacement, manhole replacement, and wet weather inflow and infiltration (I&I) project. The project is being paid for by \$2.7m ODOD WWIG grant.

The District participated in discussions with various county entities regarding potential regionalization of wastewater treatment.

The District added approximately 99 new taps in Eaton Township.

The District saw Phase 1 Facility Planning Area (FPA) increase by 1,179 acres, or 8.7% when the NOACA Board of Directors approved several FPA changes in June 2023.

The District recognized Jim McConnell, Former LORCO board member (Pittsfield Township) and president for his years of service.

The District worked with Rural Loran County Water Authority (RLCWA) and West Salem on a potential project to serve American Augers on US 42 south of West Salem with sanitary sewers.

The District received approval from Ohio Department of Development (ODOD) to amend the Phase 1 area ARPA project scope and include a 4-plex pump station pump replacement.

The District submitted a \$929,500 grant application to ODOD for a proposed "Durkee Road South Lift Station" project. The lift station would be located on the east side of Durkee Road just north of the proposed Fiddlers Green Phase 4. Funding would be through Round 6 of the ODOD ARPA grants.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

(Unaudited)

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR (Continued)

The District submitted a \$1,005,892 grant application to ODOT for a proposed lift station improvement project in Cinnamon Lake. The remaining six lift stations in Cinnamon Lake will be upgraded if project funding is awarded. Funding would be through Round 6 of the ODOT ARPA grants.

NET POSITION

Table 1 summarizes the Net Position of the District.

TABLE 1

	2023	2022	2023 vs 2022	
			Dollar Change	Percent Change
Current and other assets	\$ 2,054,935	\$ 1,798,366	\$ 256,569	14.3%
Capital assets	3,590,534	1,308,905	2,281,629	174.3%
Total assets	<u>5,645,469</u>	<u>3,107,271</u>	<u>2,538,198</u>	<u>81.7%</u>
Deferred outflows of resources - Pension	86,315	26,246	60,069	228.9%
Deferred outflows of resources - OPEB	11,770	756	11,014	1456.9%
Current and other liabilities	826,463	948,656	(122,193)	-12.9%
Long-term liabilities - Debt	10,065,411	7,763,861	2,301,550	29.6%
Total liabilities	<u>10,891,874</u>	<u>8,712,517</u>	<u>2,179,357</u>	<u>25.0%</u>
Deferred inflows of resources - Pension	0	69,246	(69,246)	-100.0%
Deferred inflows of resources - OPEB	1,306	19,773	(18,467)	-93.4%
Net invested in capital assets	2,955,460	1,124,124	1,831,336	162.9%
Unrestricted	<u>(8,105,086)</u>	<u>(6,791,387)</u>	<u>(1,313,699)</u>	<u>19.3%</u>
Total net position	<u>\$ (5,149,626)</u>	<u>\$ (5,667,263)</u>	<u>\$ 517,637</u>	<u>-9.1%</u>

The total liabilities plus deferred inflows of resources of the District exceeded assets plus deferred outflows of resources on December 31, 2023 by \$5,149,626.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

(Unaudited)

NET POSITION (Continued)

The District's Net Position increased 517,637 (-9.1%). The increase is primarily due to intergovernmental revenue. See Note 2P.

Deferred outflows and inflows of resources – pension and OPEB were recorded based on the District's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71, and GASB 75 based on a measurement date of December 31, 2022.

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET POSITION)

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

TABLE 2

	2023	2022	2023 vs 2022	
			Dollar Change	Percent Change
Operating revenue	\$ 3,006,733	\$ 2,770,682	\$ 236,051	8.5%
Operating expenses	4,378,809	3,849,796	529,013	13.7%
Depreciation/amortization expenses	34,195	12,549	21,646	172.5%
Total expenses	4,413,004	3,862,345	550,659	14.3%
Operating income (loss)	(1,406,271)	(1,091,663)	(314,608)	28.8%
Nonoperating revenue	1,954,488	100,875	1,853,613	1837.5%
Nonoperating expenses	30,580	11,831	18,749	158.5%
Nonoperating income (loss)	1,923,908	89,044	1,834,864	2060.6%
Change in net position	517,637	(1,002,619)	1,520,256	-151.6%
Beginning net position	(5,667,263)	(4,664,644)	(1,002,619)	21.5%
Ending net position	\$ (5,149,626)	\$ (5,667,263)	\$ 517,637	-9.1%

Total Operating Expenses increased \$529,013 (13.7%) in 2023 with the majority of the increase due to wages, OPERS, expenses related to ALRW as Fiscal Agent and depreciation.

Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2023 statements report pension expense of \$31,558.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023
(Unaudited)

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET POSITION) (Continued)

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 2023 statements report OPEB expense of (\$6,385).

CAPITAL ASSETS

The District had an increase in Capital Assets (before depreciation) of \$2,315,824 (165.8%) in 2023 as shown in Table 3.

TABLE 3

	2023	2022	2023 vs 2022	
			Dollar Change	Percent Change
Land and easements	\$ 10,012	\$ 10,012	\$ 0	0.0%
Tanks, stations, and lines	2,651,943	338,170	2,313,773	684.2%
Furniture and fixtures	2,359	2,359	0	0.0%
Machinery and equipment	250,707	250,707	0	0.0%
Plant and buildings	792,343	792,343	0	0.0%
Loan fees	5,073	3,022	2,051	67.9%
Total before depreciation	3,712,437	1,396,613	2,315,824	165.8%
Accumulated depreciation/amort	(121,903)	(87,708)	(34,195)	39.0%
Total capital assets, Net	<u>\$ 3,590,534</u>	<u>\$ 1,308,905</u>	<u>\$ 2,281,629</u>	174.3%

See Note 2 of the financial statements for additional information on Capital Assets.

DEBT

Table 4 summarizes the District's long-term obligations. The District issued notes payable to finance much of its start-up/organization of the District.

TABLE 4

	2023	2022	2023 vs 2022	
			Dollar Change	Percent Change
Notes, OWDA & WPCLF loans payable	\$ 9,886,940	\$ 7,717,534	\$ 2,169,406	28.1%
Net pension liability	199,395	57,162	142,233	248.8%
Net OPEB liability	3,960	0	3,960	100.0%
Total long-term obligations	<u>\$ 10,090,295</u>	<u>\$ 7,774,696</u>	<u>\$ 2,315,599</u>	29.8%

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2023

ASSETS

CURRENT ASSETS: (Note 2)

Cash and cash equivalents	\$ 405,539
Cash with Fiscal Agent	635,865
Receivables:	
Trade	82,618
Special assessments	385,904
Prepaid expenses	792
Total current assets	<u>1,510,718</u>

NONCURRENT ASSETS:

Accounts receivable - Tap assessment	4,000
Capitalized tap fee expense (Note 5)	540,217
Net OPEB asset (Note 7)	-
Total noncurrent assets	<u>544,217</u>

CAPITAL ASSETS: (Note 2)

Non-depreciable capital assets, Net	802,355
Depreciable capital assets, Net	2,788,179
	<u>3,590,534</u>
Total assets	<u>5,645,469</u>

DEFERRED OUTFLOW OF RESOURCES:

Pension (Note 7)	86,315
OPEB (Note 7)	11,770
Total deferred outflows of resources	<u>98,085</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,743,554</u>
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(continued)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND (continued)

December 31, 2023

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 94,542
Accrued payroll	11,507
Compensated absences payable	3,571
Retainage payable	15,491
WPCLF loan payable	9,767
OWDA loan payable	11,157
Total current liabilities	<u>146,035</u>

LONG-TERM LIABILITIES:

Notes payable (Note 4)	24,000
WPCLF loan payable (Note 4)	451,361
OWDA loan payable (Note 4)	162,789
Due to ALRW Fiscal Agent (Note 4)	9,227,866
Net pension liability (Note 7)	199,395
Net OPEB liability (Note 7)	3,960
Total long-term liabilities	<u>10,069,371</u>

OTHER LIABILITIES:

Deferred tap fee (Note 5)	475,000
Deferred interest (Note 5)	201,468
	<u>676,468</u>
Total liabilities	<u>10,891,874</u>

DEFERRED INFLOW OF RESOURCES:

Pension (Note 7)	-
OPEB (Note 7)	1,306
Total deferred inflows of resources	<u>1,306</u>

NET POSITION:

Net investment in capital assets	2,955,460
Unrestricted deficit	(8,105,086)
Total net position	<u>(5,149,626)</u>

TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 5,743,554</u></u>
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See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2023

OPERATING REVENUE:

Usage fee income	\$ 754,874
Charges for Services with Fiscal Agent	2,251,859
Total operating revenue	<u>3,006,733</u>

OPERATING EXPENSES:

Amortization expense	149
Bank fees	2,212
Depreciation expense	34,046
Dues and subscriptions	350
Engineering expense	13,831
Expenses paid to Fiscal Agent	1,895,808
Expenses paid by Fiscal Agent	1,719,114
HSA expense	4,000
Insurance	4,815
Legal and professional fees	68,958
Mileage expense	1,129
Office supplies and expense	4,574
Ohio deferred comp	5,000
Operations, maintenance, and billing	141,198
Outside services	1,158
O.P.E.R.S. - OPEB (Note 7)	(6,385)
O.P.E.R.S. - Pension (Note 7)	31,558
Payroll taxes	2,721
Postage expense	7,341
Building rent	7,800
Repairs and maintenance	159,832
Systems operations	34,346
Tap fee expense	19,375
Taxes - Other	171
Telephone	900
Utilities	48,133
Wages - Office	165,366
Wastewater treatment	45,504
Total operating expenses	<u>4,413,004</u>

INCOME (LOSS) FROM OPERATIONS	(1,406,271)
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NONOPERATING REVENUES:

Miscellaneous income	454
Other income - Special assessment	85,791
Intergovernmental revenue - ALRW	16,207
Intergovernmental revenue - grants	1,852,036
Total nonoperating revenues	<u>1,954,488</u>

NONOPERATING EXPENSES:

Interest expense	5,372
Intergovernmental expense	25,112
Penalties	96
Total nonoperating expenses	<u>30,580</u>

See accompanying notes to the basic financial statements.

(continued)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND (continued)

For the Year Ended December 31, 2023

CHANGE IN NET POSITION	\$ 517,637
NET POSITION - Beginning of period	<u>(5,667,263)</u>
NET POSITION - End of period	<u><u>\$ (5,149,626)</u></u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from usage fees	\$ 754,874
Cash received from ALRW Fiscal Agent - Services	2,251,859
Cash received from tap fee assessment	1,000
Cash paid to employees, professional contractors, and suppliers for services and benefits	(4,586,540)
Net cash used in operating activities	<u>(1,578,807)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Cash received - Miscellaneous	454
Cash received - Special assessment	85,791
Cash received from other governments	1,868,243
Cash paid to other governments	(25,112)
Cash paid for interest	(5,372)
Cash paid for penalties	(96)
Net cash provided by non-capital financing activities	<u>1,923,908</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(2,315,824)
Due to - ALRW Fiscal Agent	1,719,114
Water Pollution Control Loan Fund	461,127
Repayment of principal on OWDA loan	(10,835)
Net cash used in capital and related financing activities	<u>(146,418)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 198,683

CASH AND CASH EQUIVALENTS - Beginning of year 842,721

CASH AND CASH EQUIVALENTS - End of year \$ 1,041,404

(continued)

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2023

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income	\$ (1,406,271)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Amortization	149
Depreciation	34,046
Change in assets, deferred outflow of resources, liabilities:	
(Increase) decrease in:	
Accounts receivable	(96,230)
Prepaid expenses	(169)
Deferred expenses	19,375
Deferred outflows - Pension	(60,069)
Deferred outflows - OPEB	(11,014)
Change in liabilities:	
Increase (decrease) in:	
Accounts payable	18,126
Deferred tap fees and interest	(172,048)
Retainage payable	15,491
Accrued expenses	2,190
Deferred inflows - Pension	(69,246)
Deferred inflows - OPEB	(18,467)
Net pension liability	142,233
Net OPEB liability	23,097
Net cash provided by (used in) operating activities	<u>\$ (1,578,807)</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1. Reporting Entity:

Lorain County Rural Wastewater District, a regional sanitary sewer district, is a political subdivision of the State of Ohio. The District was organized in the State of Ohio on February 4, 1997, under Ohio Revised Code Section 6119.02 for the purpose of providing for the collection, treatment, and disposal of wastewater within the District. The District is exempt from federal income tax. The District operates under a Board of Trustees which consists of as many members as equals the total number of villages and townships within this regional sanitary sewer district. Lorain County Rural Wastewater District is currently in the process of planning and developing a system for servicing future customers.

The reporting entity for the District is comprised of all departments, boards and agencies that are not legally separate from the District, any component units of the District and any other organizations that would need to be included to ensure that the financial statements of the District are not misleading.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the District is obligated for the debt of the organization. Based on the application of these criteria, the District has no component units.

In October 2017, the District assumed operation, maintenance, and treatment responsibilities of Cinnamon Lake. The District was permitted by the Lorain County Court of Common Pleas to expand the District's Section 6119.02 to include Cinnamon Lake.

On September 7, 2018, the District entered into a contract operations and maintenance agreement with the Village of West Salem for the Cinnamon Lake Subdivision.

Note 2. Summary of Significant Accounting Policies:

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Summary of Significant Accounting Policies (Continued):

A. Basis of Accounting:

Lorain County Rural Wastewater District prepares its financial statements on an accrual basis. By virtue of its by-laws, the District is required to make appropriations in accordance with budgetary policies.

B. Basis of Presentation:

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

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

C. Measurement Focus:

The enterprise fund is accounted for on a flow of economic resources 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. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

D. Net Position:

Net position represents the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the District through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2023, the District reported a deficit of \$8,105,086 in unrestricted net position.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Summary of Significant Accounting Policies (Continued):

E. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from primary activities. For the District, these revenues are usage fee income, co-op income and other operating income. Operating expenses are the necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting these definitions are reported as nonoperating.

F. Budgetary Process:

Budget - Thirty days before the end of each fiscal year, a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the Executive Director. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations in accordance with said budget. Thereafter, the Executive Director has the authority to authorize payment of any disbursement not to exceed \$3,000, provided there are sufficient funds appropriated and remaining in the account from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriations and may also transfer any part of an unencumbered balance of an appropriation to any purpose or object for which the appropriation for the current fiscal year has proved insufficient.

G. Capital Assets:

Capital assets, including major renewals, betterments, adaptations, or restorations are capitalized and stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. The District maintains a capitalization threshold of \$750.

The ranges of estimated useful lives used in computing depreciation are as follows:

Sewer Lines	40 Years
Pump Stations	20 Years
Buildings	40 Years
Machinery, Equipment, and Office Furniture	3-10 Years

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued):

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

Maintenance, repairs, and minor renewals are expensed when incurred.

Depreciation and amortization expense for the year ended December 31, 2023 was \$34,195.

A summary of changes in capital assets for the year ended December 31, 2023 is as follows:

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
Land and easements	\$ 10,012	\$ -	\$ -	\$ 10,012
Tanks, stations, and lines	338,170	2,313,773	-	2,651,943
Furniture and fixtures	2,359	-	-	2,359
Machinery and equipment	250,707	-	-	250,707
CIP non-depreciable	792,343	-	-	792,343
Loan fees	3,022	2,051	-	5,073
	<u>1,396,613</u>	<u>2,315,824</u>	<u>-</u>	<u>3,712,437</u>
Less accumulated depreciaton/amort				
Tanks, stations, and lines	(70,420)	(31,987)	-	(102,407)
Furniture and fixtures	(2,359)		-	(2,359)
Machinery and equipment	(14,603)	(2,059)	-	(16,662)
Loan fees	(326)	(149)	-	(475)
Total accumulated depreciation/amort	<u>(87,708)</u>	<u>(34,195)</u>	<u>-</u>	<u>(121,903)</u>
Net capital assets	<u>\$ 1,308,905</u>	<u>\$2,281,629</u>	<u>\$ -</u>	<u>\$ 3,590,534</u>

H. Compensated Absences Payable:

The District's Executive Director is granted 200 hours of paid leave time per year. Upon termination of employment, the employee will receive not more than 20 days of accrued, unused leave at the current rate of pay computed on a daily basis.

I. Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, all liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During 2023, investments were limited to interest-bearing deposit accounts.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Summary of Significant Accounting Policies (Continued):

J. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

K. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

L. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement 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 pensions and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 7.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and OPEB. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position (see Note 7).

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Summary of Significant Accounting Policies (Continued):

M. Pensions/Other Postemployment Benefits (OPEB):

For purposes of measuring the net pension/OPEB liability, deferred outflows and deferred inflows of resources related to pension/OPEB and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. 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.

N. Receivables:

The District considers accounts receivable to be collectible with liens placed on old accounts.

O. Leases:

The District determines if an arrangement is a lease at inception of the contract. The right-of-use represents the District's right to use the underlying assets for the lease term and the lease liabilities represent the District's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The District uses an estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of the lease payments. The District estimates the incremental borrowing rate from their portfolio of leases using documented rates included in their recent equipment finance leases, or if applicable, recent debt issuances that correspond to various lease terms. The District also gives consideration to information from their bankers. Or the District can elect to use the published risk-free rate at the commencement date of the lease and the corresponding lease term.

The District's finance leases are primarily for office equipment. The equipment lease agreements typically have an initial term of four to five years. The District does not record leases with an initial term of 12 months or less ("short-term leases") in the balance sheet. The District's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Some of the District's leases may include one or more options to renew, with renewals that can extend the lease beyond three years. The exercise of the lease renewal options is at the District's sole discretion. In general, the District does not consider renewal options to be

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 2. Summary of Significant Accounting Policies (Continued):

O. Leases (Continued):

reasonably likely to be exercised, therefore renewal options are generally not recognized as part of right-of use assets and lease liabilities.

Right-of-use assets are amortized over the term of the lease on a straight-line basis.

P. Grants:

In 2022 the District applied for and was awarded three grants totaling \$4,192,090.

In 2023 the District applied for and has not received approval for two additional grants totaling \$1,935,392. In 2023 the District received a Community Development Block Grant in the amount of \$750,000.

The grants consist of the following:

Project 2022	Amount	Funds	
		Used/Received	Remaining
Cinnamon Lake and West Salem Force Main	\$ 500,000	\$ 100,472	\$ 399,528
Concrete Structure Replacement	2,692,090	20,152	2,671,938
Water and Wastewater West Salem	1,000,000	990,182	9,818
Project 2023			
Community Development Block Grant	750,000	746,500	3,500
ODOD - Lift Station Project	929,500	0	929,500
ODOD - Lift Station Improvement Project	1,005,892	0	1,005,892
Total	<u>\$ 6,877,482</u>	<u>\$ 1,857,306</u>	<u>\$ 5,020,176</u>

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred. Grant payments received in advance of related project expenses are recorded as deferred revenue and included in current liabilities. The District recorded grant revenue included in nonoperating revenue of \$1,852,036 in 2023 and \$5,270 in 2022. As of December 31, 2023, the District had a project expense balance due of \$11,107. This amount is included in accounts payable.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 3. Deposits:

The following information is provided to give an indication of the steps the District takes to protect its cash deposits and the level of risk assumed for certain investments.

Ohio Revised Code authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; obligations of the United States government, its agencies and instrumentalities; bonds and other obligations of the State of Ohio; certain money market mutual funds and secured repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution.

If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State.

The District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 percent, which increased to 60%, or higher, on March 1, 2021. As of December 31, 2023, the carrying amount of the District's deposits was \$1,041,404. This includes cash held with Avon Lake Regional Water (ALRW) as Fiscal Agent \$635,865 and the District's balance of \$405,539. The District's total bank balance of \$405,539 was covered by the federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The District had no investments at December 31, 2023.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 4. Long-Term Obligations:

A summary of long-term obligations for the year ended December 31, 2023, is as follows:

Description	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Amount Due In One Year
Lorain County Rural Wastewater District borrowed \$5,000 from New Russia Township in March 1997 and \$5,000 in October 2000 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	\$ 5,000	\$ -0-	\$ -0-	\$ 5,000	\$ -0-
Lorain County Rural Wastewater District borrowed \$2,500 from Camden Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed \$5,500 from Grafton Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	5,500	-0-	-0-	5,500	-0-
Lorain County Rural Wastewater District borrowed \$2,500 from Henrietta Township in December 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed \$2,500 from Pittsfield Township in February 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed \$500 from Rochester Township in June 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District borrowed \$2,500 from South Amherst Village in October 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed \$500 from Kipton Village in March 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-

(continued)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Amount Due In One Year
Lorain County Rural Wastewater District borrowed \$2,500 from Huntington Township in January 2002 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District Entered into a cooperative Agreement with Avon Lake Regional Water (ALRW). The loan consists of operating expenses and charges by ALRW that are not covered by the revenue received by ALRW as fiscal agent on The District's behalf. Timing of repayment is contingent upon availability of funds. (Note 12)	7,508,752	1,719,114	-0-	9,227,866	-0-
Lorain County Rural Wastewater District entered into a loan with Ohio Water Development Authority (OWDA). The total loan is \$586,013 with \$461,127 used and a remaining balance of \$124,886 undisbursed. The loan is for 30 years with payments due semi-annually in the amount of \$9,767 beginning July 1, 2024.	-0-	461,127	-0-	461,127	9,767
Lorain County Rural Wastewater District entered into a cooperative Agreement with Ohio Water Development Authority (OWDA) on September 24, 2015. The OWDA will finance the eligible project costs for Carrington Pointe Sewer. The maximum loan amount is \$262,829 from Fresh Water Fund with \$239,908 used. The interest rate is 2.950% for 20 years starting on January 1, 2017.					
All revenues from all sewer facilities of Lorain County Rural Wastewater District are promised as repayment. Avon Lake Regional Water (ALRW) will be acting as agent on Lorain County Rural Wastewater District's behalf. The Lorain County Auditor's Office will transfer funds semi-annually to ALRW to deposit into Lorain County Rural Wastewater District funds account and then forward to OWDA to pay the semi-annual loan payment. The estimated semi-annual loan payment is \$8,104.	184,782	-0-	10,835	173,947	11,157
	<u>\$7,717,534</u>	<u>\$2,180,241</u>	<u>\$10,835</u>	<u>\$9,886,940</u>	<u>\$ 20,924</u>

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Amount Due In One Year
A net pension liability in the amount of \$199,395 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2022.	\$ 57,162	\$ 142,233	\$ -0-	\$ 199,395	\$ -0-
	<u>\$ 57,162</u>	<u>\$ 142,233</u>	<u>\$ -0-</u>	<u>\$ 199,395</u>	<u>\$ -0-</u>
Description	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Amount Due In One Year
A net OPEB liability/asset in the amount of \$3,960 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2022.	\$ (19,137)	\$ 23,097	\$ -0-	\$ 3,960	\$ -0-
	<u>\$ (19,137)</u>	<u>\$ 23,097</u>	<u>\$ -0-</u>	<u>\$ 3,960</u>	<u>\$ -0-</u>

Note 5. Deferred Tap Fee:

Per the cooperative agreement between Lorain County Rural Wastewater District (LORCO) and Avon Lake Regional Water (ALRW) dated December 7, 2009, LORCO shall pay a tap fee of \$775,000 to ALRW contingent upon the certification of the system. This agreement was amended on September 15, 2011, with a second amendment on November 17, 2015. The project certification date was November 18, 2011. Therefore, the repayment of the tap fees, per the second amendment, will be \$100,000 on each of the tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth anniversaries of the certification date and \$75,000 on the seventeenth anniversary.

The tap fee allows LORCO to tap into the ALRW system. The expense will be recognized over the 40-year life of the cooperative agreement. LORCO will pay the fee using revenue generated from system development.

LORCO shall pay ALRW \$72,048, which consists of \$31,754 from the first three year delay and an additional \$40,294 for the additional six year delay, on each of the tenth, eleventh, and twelfth anniversaries, and \$40,294 on each of the thirteenth, fourteenth, fifteenth, sixteenth and seventeenth anniversaries of the certification date in respect of the accumulated interest for deferring the tap fee by nine years based on the Weighted Average Cost of Funds.

ALRW, as agent, collected \$172,048 from the custodial account for the twelfth tap fee payment reducing the tap fee payable to \$475,000 and the deferred interest to \$201,468.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 6. Insurance:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains comprehensive insurance coverage which includes Comprehensive General Liability, Wrongful Act Liability, and Automobile Liability. Settled claims have not exceeded insurance coverage in the past three years and there has been no significant reduction in coverage from prior years.

Note 7. Retirement Commitments:

A. Net Pension Liability:

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

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

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

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

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

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

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

	<u>State and Local</u>
2022 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2022 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	<u>0.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$18,639 for the year 2023. Of this amount, \$-0- is reported as accrued payroll.

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

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

Proportion of the net pension liability:	
Current measurement date	0.000675%
Prior measurement date	0.000657%
Change in proportionate share	0.000018%
Proportionate share of the net Pension liability	\$199,395
Pension expense	\$31,558

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

	<u>OPERS</u>
Deferred Outflows of Resources	
Difference between expected and actual experience	\$ 6,623
Changes in assumptions	2,106
Difference between expected and actual investment	56,834
Changes in proportion	2,113
District contributions subsequent to the measurement date	<u>18,639</u>
Total deferred outflows of resources	<u>\$86,315</u>
	<u>OPERS</u>
Deferred Inflows of Resources	
Difference between expected and actual experience	\$ 0
Net difference between projected and actual earnings on pension plan investments	0
Changes in proportion	<u>0</u>
Total deferred inflows of resources	<u>\$ 0</u>

Eighteen thousand six hundred thirty-nine (\$18,639) reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Fiscal Year Ending December 31:	
2024	\$ 9,216
2025	13,890
2026	16,729
2027	<u>27,841</u>
Total	<u>\$67,676</u>

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS

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

Projections of 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 in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75 percent
Future salary increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013	3 percent, simple
Post January 7, 2013	3.0 percent simple through 2022, then 2.05 percent simple
Investment rate of return	6.9 percent
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3.00 percent simple through 2021 then .50 percent simple through 2022 then 2.05 percent simple. In October 2021, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 7.2 percent to 6.9 percent. This change was effective beginning with the 2018 valuation. Pre-retirement mortality rates were 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 tables for males and females, adjusted for mortality improvements 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 for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2020, mortality rates were based on the RP-2014 Healthy Annuitant table. For males, Healthy Annuitant mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

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

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

OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annualized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.1% for 2022.

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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For each major class that is included in the Defined Benefit portfolios target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	22.00%	2.62 %
Domestic equities	22.00	4.60 %
Real estate	13.00	3.27 %
Private equity	15.00	7.53 %
International equities	21.00	5.51 %
Other investments	7.00	7.64 %
Total	<u>100.00%</u>	

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

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

	<u>1% Decrease (5.9%)</u>	<u>Current Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
District's proportionate share of the net pension:			
Liability (Asset)	\$298,688	\$199,395	\$116,802

Changes between the measurement date and the reporting date during 2022, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2022. The effects of these changes are unknown.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset):

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in payable on the accrual basis of accounting.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

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

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

In order to qualify for postemployment health care coverage, age-and-service retirees under Traditional Pension and Combined Plans must have 20 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 Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' ACFR 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS.

When funding is approved by the OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2023. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2023. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for Member-Directed Plan participants for 2022 was 4.0%

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

The total employer contribution rate stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Lorain County Rural Wastewater District used to fund health care were \$-0-, \$-0-, \$-0-, \$-0- for 2023, 2022, 2021, and 2020, respectively. The 2023 payable to fund health care was \$-0-.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

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

The net OPEB liability (asset) and total OPEB liability (asset) for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. 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:

Proportion of the net OPEB liability (asset):	
Current measurement date	0.000628%
Prior measurement date	0.000611%
Change in proportionate share	0.000017%
Proportionate share of the net OPEB liability (asset)	\$3,390
OPEB expense	\$(6,385)

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

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 0
Changes of assumptions	3,867
Difference between projected & actual investment	7,864
Changes in proportion and differences between District contributions and proportionate share of contributions	39
Total deferred outflows of resources	<u>\$11,770</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 988
Changes in assumptions	318
Net difference between projected and actual earnings on OPEB plan investments	0
Changes in proportion	0
Total deferred inflows of resources	<u>\$ 1,306</u>

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$-0- reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2024	\$ 1,334
2025	2,879
2026	2,452
2027	3,799
Total	<u>\$10,464</u>

Actuarial Assumptions - OPERS

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

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

Wage inflation	2.75 percent
Projected salary increases, including inflation	2.75 to 10.75 percent including wage inflation
Single discount rate:	
Current measurement date	5.22 percent
Prior measurement date	6.00 percent
Investment rate of return	6.00 percent
Municipal bond rate	
Current measurement date	4.05 percent
Prior measurement date	1.84 percent

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

Health care cost trend rate	
Current measurement date	5.5 percent, initial
	3.50 percent, ultimate in 2036
Prior measurement date	5.50 percent, initial
	3.50 percent, ultimate in 2034
Actuarial cost method	Individual Entry Age

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

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

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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan eligible members.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year.

Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested for the Health Care portfolio was a loss of 15.60 percent for 2022.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. For each major asset class that is included in the Health Care portfolio's target asset allocation policy as of December 31, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	34.00 %	2.56 %
Domestic equities	26.00	4.60 %
Real estate investment trust	7.00	4.70 %
International equities	25.00	5.51 %
Other investments	8.00	6.21 %
Total	<u>100.00 %</u>	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met).

This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent. 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 2036.

As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2036, 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 (Asset) to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.22 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease <u>(4.22%)</u>	Current Discount Rate <u>(5.22%)</u>	1% Increase <u>(6.22 %)</u>
District's proportionate share of the net OPEB asset	\$13,477	\$3,960	\$(3,894)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

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 (asset) calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption with 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 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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 3.50 percent in the most recent valuation.

Changes between the measurement date and the reporting date during 2022, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2022. The effects of these changes are unknown.

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (asset)	\$3,711	\$3,960	\$4,239

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 8. Leasing Arrangements:

The District leases office space from Lorain-Medina Rural Electric Cooperative, Inc. This lease was for a one-year period ended December 31, 2023 and may be renewed for additional one-year terms upon agreement of both parties. The lease requires rent in the amount of \$250 per month, for a total of \$3,000. The District also leases two units from Cinnamon Lake Utilities Association, Inc. which began in October 2017 with the asset transfer to the District. This lease ended December 31, 2023. The lease requires rent in the amount of \$400 per month, for a total of \$4,800. Rent expense for the year ended December 31, 2023 was \$7,800.

Note 9. Accountability and Financial Outlook:

For the fiscal year ended December 31, 2023, Lorain County Rural Wastewater District had net income of \$517,637, and accumulated net position of (\$5,149,626).

Note 10. Subsequent events:

As of May 20, 2024, the date the financial statements were issued, based on discussions taking place, it is probable that the cooperative agreement between the District and Avon Lake Regional Water (ALRW) will be amended.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability **Ohio Public Employees Retirement System - Traditional Plan**

Last Nine Years (*)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.000675%	0.000657%	0.000651%	0.000632%	0.000917%	0.000690%	0.000530%	0.000545%	0.000566%
District's Proportionate Share of the Net Pension Liability	\$ 199,395	\$ 57,162	\$ 96,399	\$ 124,919	\$ 251,148	\$ 108,248	\$ 120,354	\$ 94,401	\$ 68,266
District's Covered-Employee Payroll	\$ 104,600	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736	\$ 68,517	\$ 67,850	\$ 69,442
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	190.63%	59.96%	104.16%	140.48%	204.15%	119.29%	175.65%	139.13%	98.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.07%	93.01%	87.21%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District Contributions Ohio Public Employees Retirement System - Traditional Plan

Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 18,639	\$ 14,644	\$ 13,346	\$ 12,957	\$ 12,449	\$ 17,222	\$ 11,796	\$ 8,222	\$ 8,142	\$ 8,333
Contributions in Relation to the Contractually Required Contribution	<u>(18,639)</u>	<u>(14,644)</u>	<u>(13,346)</u>	<u>(12,957)</u>	<u>(12,449)</u>	<u>(17,222)</u>	<u>(11,796)</u>	<u>(8,222)</u>	<u>(8,142)</u>	<u>(8,333)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$ 133,136	\$ 104,600	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736	\$ 68,517	\$ 67,850	\$ 69,442
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset) Ohio Public Employees Retirement System

Last Six Years (*)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the Net OPEB Liability (Asset)	0.000628%	0.000611%	0.000606%	0.000589%	0.000854%	0.000640%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,960	\$ (19,137)	\$ (10,796)	\$ 81,356	\$ 111,341	\$ 69,499
District's Covered-Employee Payroll	\$ 104,600	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	3.79%	-20.08%	-11.67%	91.49%	90.51%	76.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%

* Information prior to 2017 is not available.

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District OPEB Contributions Ohio Public Employees Retirement System

Last Seven Years (*)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 907
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(907)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District Covered-Employee Payroll	\$ 133,136	\$ 104,600	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

* 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2023

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below.

	<u>2022</u>	<u>2019 - 2021</u>	<u>2018 and 2017</u>	<u>2016 and Prior</u>
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA Pre-January 7, 2013 Post-January 7, 2013	3 percent simple See below	3.00 percent simple See below	3.00 percent simple See below	3.00 percent simple See below
Investment Rate of Return	6.90 percent	7.20 percent	7.50 percent	8.00 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows:

2022	3.0 percent simple through 2021, then 2.05 percent simple
2021	.50 percent simple through 2021, then 2.15 percent simple
2020	1.40 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3.00 percent simple through 2019, then 2.15 percent simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported beginning in 2017 use preretirement mortality rates 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. Postretirement mortality rates were 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2023

Changes in Assumptions – OPERS Pension (Continued)

The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were 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 were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

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

Investment Return Assumptions	
Beginning in 2019	6.00 Percent
2018	6.50 Percent
Municipal Bond Rate	
2022	1.84 Percent
2021	2.00 Percent
2020	2.75 Percent
2019	3.71 Percent
2018	3.31 Percent
Single Discount Rate	
2023	5.22 Percent
2022	6.00 Percent
2021	6.00 Percent
2020	3.16 Percent
2019	3.96 Percent
2018	3.85 Percent
Health Care Cost Trend Rate	
2022	5.50 Percent Initial 3.50 Percent Ultimate in 2034
2021	8.00 Percent Initial 3.50 Percent Ultimate in 2035
2020	10.00 Percent Initial 3.50 Percent Ultimate in 2030
2019	10.00 Percent Initial 3.25 Percent Ultimate in 2029
2018	7.50 Percent Initial 3.25 Percent Ultimate in 2028

Changes in Benefit Terms - OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in an effort to decrease costs and increase the solvency of the health care plan. These changes were effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees as well as replacing OPERS sponsored medical plans for non-Medicare retirees with monthly allowances similar to the program for Medicare retirees. These changes are reflected in 2021.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022

(Unaudited)

This discussion and analysis, along with the accompanying financial reports of Lorain County Rural Wastewater District (District), is designed to provide our customers, creditors, and other interested parties with a general overview of the District and its financial activities.

During 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of 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 and net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension and 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 equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension and 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 pension 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 and OPEB plans 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022
(Unaudited)

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 and the net OPEB liability. As explained above, changes in pension 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 pension 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.

FINANCIAL HIGHLIGHTS

The total liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources by \$5,667,263 at year end 2022.

The District's net position decreased by \$1,002,619 (21.5%) in 2022.

The District had an increase in Operating Revenues of \$126,626 (4.8%) in 2022. Operating Expenses increased \$500,541 (14.9%) in 2022.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single fund using proprietary fund accounting, similar to a private sector business. The District is described in Note 2, Summary of Significant Accounting Policies. The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022

(Unaudited)

OVERVIEW OF BASIC FINANCIAL STATEMENTS (Continued)

The **Statement of Revenues and Expenses, and Changes in Net Position** provides information on the District's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the District's cash receipts and disbursements from operations, investing, and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR

The District met with Ashland County commissioners to discuss the Cinnamon Lake-West Salem force main project and the Cinnamon Lake Lift station improvements project. The requested the commissioners consider providing some of their ARPA funds to the projects.

The District met with assistant county engineer Bob Klaiber and discussed a FPA Change and potential District sewers on Hawke Road and SR 82 east of Hawke Road and connecting Eaton Estates to the District's gravity sewer.

The District Finance Committee met to discuss recent vendor notifications affecting Cinnamon Lake and the potential impact on budget and potential rate adjustments.

The District changed the grinder pump tap fee policy. The grinder pump tap fee was reduced to \$5,000 with the property owner being required to pay the cost of the grinder pump unit. The District will only be responsible for O&M if the grinder pump is placed at the edge of the road right of way. All other applications will be private O&M.

The Ohio Auditor of State's (AOS) office authorized Canter & Associates to proceed with the 2020/2021 audit for the District. AOS bid out the District audit along with six other entities in Lorain County. The bid was \$15,315 for each two year audit for the next six years.

The District continued working with the Dooley, Gembala, McLaughlin, Pecoro law firm to attempt to get the Ashland County prosecutor's office to initiate foreclosure sale proceedings on parcels in Cinnamon Lake.

The District's Phase 1 system added 70 new customers in 2022 as a result of new home construction.

The District received notice from the Ohio Auditor of State, Director of Quality Assurance, that the District's 2020/2021 audit was acceptable and required no modifications.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022
(Unaudited)

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR (Continued)

The District met with Avon Lake Regional Water (ALRW) and the Northeast Ohio Areawide Coordinating Agency (NOACA) to review proposed changes to the District related Facility Planning Area (FPA) boundaries. NOACA is attempting to align FPA boundaries along parcel boundaries as opposed to road centerlines and cutting across parcels.

The District started working on bid specifications for advertisement of Slife Road lift station replacement.

NET POSITION

Table 1 summarizes the Net Position of the District.

TABLE 1

	2022	(Restated) 2021	2022 vs 2021	
			Dollar Change	Percent Change
Current and other assets	\$ 1,798,366	\$ 1,345,872	\$ 452,494	33.6%
Capital assets	1,308,905	1,311,664	(2,759)	-0.2%
Total assets	3,107,271	2,657,536	449,735	16.9%
Deferred outflows of resources - Pension	26,246	15,713	10,533	67.0%
Deferred outflows of resources - OPEB	756	2,461	(1,705)	-69.3%
Current and other liabilities	948,656	1,418,961	(470,305)	-33.1%
Long-term liabilities - Debt	7,763,861	305,181	7,458,680	2444.0%
Total liabilities	8,712,517	1,724,142	6,988,375	405.3%
Deferred inflows of resources - Pension	69,246	55,020	14,226	25.9%
Deferred inflows of resources - OPEB	19,773	46,839	(27,066)	-57.8%
Net invested in capital assets	1,124,124	1,116,359	7,765	0.7%
Unrestricted (restated)	(6,791,387)	(5,781,003)	(1,010,384)	17.5%
Total net position	\$ (5,667,263)	\$ (4,664,644)	\$ (1,002,619)	21.5%

The total liabilities plus deferred inflows of resources of the District exceeded assets plus deferred outflows of resources on December 31, 2022 by \$5,667,263.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022

(Unaudited)

NET POSITION (Continued)

The District's Net Position decreased \$1,002,619 (21.5%). The decrease is primarily due to restatement for ALRW as Fiscal Agent.

Deferred outflows and inflows of resources – pension and OPEB were recorded based on the District's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71, and GASB 75 based on a measurement date of December 31, 2021.

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET POSITION)

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

TABLE 2

		Restated	2022 vs 2021	
	2022	2021	Dollar Change	Percent Change
Operating revenue	\$ 2,770,682	\$ 2,644,056	\$ 126,626	4.8%
Operating expenses	3,849,796	3,349,255	500,541	14.9%
Depreciation/amortization expenses	12,549	12,401	148	1.2%
Total expenses	3,862,345	3,361,656	500,689	14.9%
Operating income (loss)	(1,091,663)	(717,600)	(374,063)	52.1%
Nonoperating revenue	100,875	99,474	1,401	1.4%
Nonoperating expenses	11,831	7,128	4,703	66.0%
Nonoperating income (loss)	89,044	92,346	(3,302)	-3.6%
Change in net position	(1,002,619)	(625,254)	(377,365)	60.4%
Beginning net position - restated	(4,664,644)	(4,039,390)	(625,254)	15.5%
Ending net position	<u>\$ (5,667,263)</u>	<u>\$ (4,664,644)</u>	<u>\$ (1,002,619)</u>	21.5%

Total Operating Expenses increased \$500,541 (14.9%) in 2022 with the majority of the increase due to expenses related to ALRW as Fiscal Agent.

Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2021 statements report pension expense of (\$20,901).

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022
(Unaudited)

STATEMENT OF REVENUES AND EXPENSES (CHANGES IN NET POSITION) (Continued)

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 2021 statements report OPEB expense of (\$23,218).

CAPITAL ASSETS

The District had an increase in Capital Assets (before depreciation) of \$9,791 (.7%) in 2022 as shown in Table 3.

TABLE 3

	2022	2021	2022 vs 2021	
			Dollar Change	Percent Change
Land and easements	\$ 10,012	\$ 10,012	\$ 0	0.0%
Tanks, stations, and lines	338,170	328,379	9,791	3.0%
Furniture and fixtures	2,359	2,359	0	0.0%
Machinery and equipment	250,707	250,707	0	0.0%
Plant and buildings	792,343	792,343	0	0.0%
Loan fees	3,022	3,022	0	0.0%
Total before depreciation	1,396,613	1,386,822	9,791	0.7%
Accumulated depreciation/amort	(87,708)	(75,158)	(12,550)	16.7%
Total capital assets, Net	<u>\$ 1,308,905</u>	<u>\$ 1,311,664</u>	<u>\$ (2,759)</u>	-0.2%

See Note 2 of the financial statements for additional information on Capital Assets.

DEBT

Table 4 summarizes the District's long-term obligations. The District issued notes payable to finance much of its start-up/organization of the District.

TABLE 4

	2022	Restated 2021	2022 vs 2021	
			Dollar Change	Percent Change
Notes and OWDA loans payable	\$ 7,717,534	\$ 305,318	\$ 7,412,216	2427.7%
Net pension liability	57,162	96,399	(39,237)	-40.7%
Total long-term obligations	<u>\$ 7,774,696</u>	<u>\$ 401,717</u>	<u>\$ 7,372,979</u>	1835.4%

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2022

ASSETS

CURRENT ASSETS: (Note 2)

Cash and cash equivalents	\$ 390,861
Cash with Fiscal Agent	451,860
Receivables:	
Trade	57,050
Special assessments	314,243
Prepaid expenses	623
Total current assets	<u>1,214,637</u>

NONCURRENT ASSETS:

Accounts receivable - Tap assessment	5,000
Capitalized tap fee expense (Note 5)	559,592
Net OPEB asset (Note 7)	19,137
Total noncurrent assets	<u>583,729</u>

CAPITAL ASSETS: (Note 2)

Non-depreciable capital assets, Net	802,355
Depreciable capital assets, Net	506,550
	<u>1,308,905</u>
Total assets	<u>3,107,271</u>

DEFERRED OUTFLOW OF RESOURCES:

Pension (Note 7)	26,246
OPEB (Note 7)	756
Total deferred outflows of resources	<u>27,002</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,134,273</u>
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(continued)

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND (continued)

December 31, 2022

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 76,417
Accrued payroll	8,195
Compensated absences payable	4,693
OWDA loan payable	10,835
Total current liabilities	<u>100,140</u>

LONG-TERM LIABILITIES:

Notes payable (Note 4)	24,000
OWDA loan payable (Note 4)	173,947
Due to ALRW Fiscal Agent (Note 4)	7,508,752
Net pension liability (Note 7)	57,162
Total long-term liabilities	<u>7,763,861</u>

OTHER LIABILITIES:

Deferred tap fee (Note 5)	575,000
Deferred interest (Note 5)	273,516
	<u>848,516</u>
Total liabilities	<u>8,712,517</u>

DEFERRED INFLOW OF RESOURCES:

Pension (Note 7)	69,246
OPEB (Note 7)	19,773
Total deferred inflows of resources	<u>89,019</u>

NET POSITION:

Net investment in capital assets	1,124,124
Unrestricted deficit	(6,791,387)
Total net position	<u>(5,667,263)</u>

TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 3,134,273</u>
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See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2022

OPERATING REVENUE:

Usage fee income	\$ 729,781
Charges for Services with Fiscal Agent	2,024,901
Tap fee income	16,000
Total operating revenue	<u>2,770,682</u>

OPERATING EXPENSES:

Amortization expense	46
Bank fees	6,486
Depreciation expense	12,503
Dues and subscriptions	350
Engineering expense	2,746
Expenses paid to Fiscal Agent	1,908,237
Expenses paid by Fiscal Agent	1,313,977
HSA expense	4,000
Insurance	5,504
Legal and professional fees	62,334
Mileage expense	907
Office supplies and expense	9,707
Operations, maintenance, and billing	162,315
Outside services	48
O.P.E.R.S. - OPEB (Note 7)	(23,218)
O.P.E.R.S. - Pension (Note 7)	(20,901)
Payroll taxes	2,439
Postage expense	6,863
Building rent	6,060
Repairs and maintenance	138,860
Systems operations	32,059
Tap fee expense	23,375
Taxes - Other	170
Telephone	2,237
Utilities	46,119
Wages - Office	133,650
Wastewater treatment	25,472
Total operating expenses	<u>3,862,345</u>

INCOME (LOSS) FROM OPERATIONS (1,091,663)

NONOPERATING REVENUES:

Miscellaneous income	187
Other income - Special assessment	79,210
Intergovernmental revenue	21,478
Total nonoperating revenues	<u>100,875</u>

NONOPERATING EXPENSES:

Interest expense	5,684
Intergovernmental expense	6,147
Total nonoperating expenses	<u>11,831</u>

(continued)

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND (continued)

For the Year Ended December 31, 2022

CHANGE IN NET POSITION	\$ (1,002,619)
NET POSITION - Beginning of period - restated (Note 12)	<u>(4,664,644)</u>
NET POSITION - End of period	<u><u>\$ (5,667,263)</u></u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from usage fees	\$ 729,781
Cash received from ALRW Fiscal Agent - Services	2,024,901
Cash received from other operating income	16,000
Cash received from tap fee assessment	1,000
Cash paid to employees, professional contractors, and suppliers for services and benefits	(4,078,006)
Net cash used in operating activities	(1,306,324)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Cash received - Miscellaneous	187
Cash received - Special assessment	79,210
Cash received from other governments	21,478
Cash paid to other governments	(6,147)
Cash paid for interest	(5,684)
Net cash provided by non-capital financing activities	89,044

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(9,791)
Due to - ALRW Fiscal Agent	1,313,977
Repayment tap fee liability	(200,000)
Repayment accrued interest - tap fee liability	(145,226)
Repayment of principal on OWDA loan	(10,523)
Net cash used in capital and related financing activities	948,437

NET DECREASE IN CASH AND CASH EQUIVALENTS (268,843)

CASH AND CASH EQUIVALENTS - Beginning of year (Note 12) 1,111,564

CASH AND CASH EQUIVALENTS - End of year \$ 842,721

(continued)

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2022

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income	\$ (1,091,663)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Amortization	46
Depreciation	12,503
Change in assets, deferred outflow of resources, liabilities:	
(Increase) decrease in:	
Accounts receivable	(51,877)
Prepaid expenses	(72)
Deferred expenses	19,375
Deferred outflows - Pension	(10,533)
Deferred outflows - OPEB	1,705
Net OPEB asset	(8,341)
Change in liabilities:	
Increase (decrease) in:	
Accounts payable	(29,972)
Deferred tap fees and interest	(200,000)
Accrued expenses	1,117
Notes payable	103,465
Deferred inflows - Pension	14,226
Deferred inflows - OPEB	(27,066)
Net pension liability	(39,237)
Net cash provided by (used in) operating activities	<u>\$ (1,306,324)</u>

See accompanying notes to the basic financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 1. Reporting Entity:

Lorain County Rural Wastewater District, a regional sanitary sewer district, is a political subdivision of the State of Ohio. The District was organized in the State of Ohio on February 4, 1997, under Ohio Revised Code Section 6119.02 for the purpose of providing for the collection, treatment, and disposal of wastewater within the District. The District is exempt from federal income tax. The District operates under a Board of Trustees which consists of as many members as equals the total number of villages and townships within this regional sanitary sewer district. Lorain County Rural Wastewater District is currently in the process of planning and developing a system for servicing future customers.

The reporting entity for the District is comprised of all departments, boards and agencies that are not legally separate from the District, any component units of the District and any other organizations that would need to be included to ensure that the financial statements of the District are not misleading.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the District is obligated for the debt of the organization. Based on the application of these criteria, the District has no component units.

In October 2017, the District assumed operation, maintenance, and treatment responsibilities of Cinnamon Lake. The District was permitted by the Lorain County Court of Common Pleas to expand the District's Section 6119.02 to include Cinnamon Lake.

On September 7, 2018, the District entered into a contract operations and maintenance agreement with the Village of West Salem for the Cinnamon Lake Subdivision.

Note 2. Summary of Significant Accounting Policies:

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

A. Basis of Accounting:

Lorain County Rural Wastewater District prepares its financial statements on an accrual basis. By virtue of its by-laws, the District is required to make appropriations in accordance with budgetary policies.

B. Basis of Presentation:

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

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

C. Measurement Focus:

The enterprise fund is accounted for on a flow of economic resources 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. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

D. Net Position:

Net position represents the difference between Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the District through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2022, the District reported a deficit of \$6,791,387 in unrestricted net position.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

E. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from primary activities. For the District, these revenues are usage fee income, co-op income and other operating income. Operating expenses are the necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting these definitions are reported as nonoperating.

F. Budgetary Process:

Budget - Thirty days before the end of each fiscal year, a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the Executive Director. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations in accordance with said budget. Thereafter, the Executive Director has the authority to authorize payment of any disbursement not to exceed \$3,000, provided there are sufficient funds appropriated and remaining in the account from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriations and may also transfer any part of an unencumbered balance of an appropriation to any purpose or object for which the appropriation for the current fiscal year has proved insufficient.

G. Recent Accounting Pronouncement:

In June 2020, the Governmental Accounting Standards Board (GASB) issued Accounting Standards Update No. 87, *Leases*. This AS requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This amends current guidance that required only capital leases to be recognized on the lessee's balance sheet. GASB No. 87 also requires additional disclosure on the amount, timing and uncertainty of cash flows arising from leases. The District adopted AS No. 87 on January 1, 2022, using a modified retrospective approach. The System also elected the package of practical expedients permitted under the new standard that allowed the System to carry forward historical lease classification. The impact of adoption on the consolidated financial statements had no impact on other noncurrent assets to record right-of use assets and on other current and noncurrent liabilities to record lease

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

G. Recent Accounting Pronouncement (Continued):

obligations for current operating leases. All current leases are twelve months or less. The impact of adopting AS No. 87 was not material to total statement of net financial position.

H. Capital Assets:

Capital assets, including major renewals, betterments, adaptations, or restorations are capitalized and stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. The District maintains a capitalization threshold of \$750.

The ranges of estimated useful lives used in computing depreciation are as follows:

Sewer Lines	40 Years
Pump Stations	20 Years
Buildings	40 Years
Machinery, Equipment, and Office Furniture	3-10 Years

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

Maintenance, repairs, and minor renewals are expensed when incurred.

Depreciation and amortization expense for the year ended December 31, 2022 was \$12,503.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

H. Capital Assets (Continued):

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
Land and easements	\$ 10,012	\$ -	\$ -	\$ 10,012
Tanks, stations, and lines	328,379	9,791	-	338,170
Furniture and fixtures	2,359	-	-	2,359
Machinery and equipment	250,707	-	-	250,707
CIP non-depreciable	792,343	-	-	792,343
Loan fees	3,022	-	-	3,022
	<u>1,386,822</u>	<u>9,791</u>	<u>-</u>	<u>1,396,613</u>
Less accumulated depreciaton/amort				
Tanks, stations, and lines	(61,026)	(9,394)	-	(70,420)
Furniture and fixtures	(2,359)	-	-	(2,359)
Machinery and equipment	(11,493)	(3,110)	-	(14,603)
Loan fees	(280)	(46)	-	(326)
Total accumulated depreciation/amort	<u>(75,158)</u>	<u>(12,550)</u>	<u>-</u>	<u>(87,708)</u>
Net capital assets	<u>\$ 1,311,664</u>	<u>\$ (2,759)</u>	<u>\$ -</u>	<u>\$ 1,308,905</u>

I. Compensated Absences Payable:

The District's Executive Director is granted 200 hours of paid leave time per year. Upon termination of employment, the employee will receive not more than 20 days of accrued, unused leave at the current rate of pay computed on a daily basis.

J. Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, all liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During 2022, investments were limited to interest-bearing deposit accounts.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

K. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

L. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

M. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement 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 pensions and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 7.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include pension and OPEB. These amounts have been recorded as a deferred inflow on the statement of net position. Deferred inflows of resources related to pension and OPEB plans are reported on the statement of net position (see Note 7).

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

N. Pensions/Other Postemployment Benefits (OPEB):

For purposes of measuring the net pension/OPEB liability, deferred outflows and deferred inflows of resources related to pension/OPEB and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. 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.

O. Receivables:

The District considers accounts receivable to be collectible with liens placed on old accounts.

P. Leases:

The District determines if an arrangement is a lease at inception of the contract. The right-of-use represents the District's right to use the underlying assets for the lease term and the lease liabilities represents the District's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. The District uses estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of the lease payments. The District estimates the incremental borrowing rate from their portfolio of leases using documented rates included in their recent equipment finance leases, or if applicable, recent debt issuances that correspond to various lease terms. The District also gives consideration to information from their bankers. Or the District can elected to use the published risk-free rate at the commencement date of the lease and the corresponding lease term.

The District's finance leases are primarily for office equipment. The equipment lease agreements typically has an initial term of four to five years. The Company does not record leases with an initial term of 12 months or less ("short-term leases") in the balance sheet. The Company's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Some of the District's leases may include one or more options to renew, with renewals that can extend the lease beyond three years. The exercise of the lease renewal options is at the Company's sole discretion. In general, the Company does not consider renewal options to be

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2. Summary of Significant Accounting Policies (Continued):

P. Leases (Continued):

reasonably likely to be exercised, therefore renewal options are generally not recognized as part of right-of use assets and lease liabilities.

Right-of-use assets are amortized over the term of the lease on a straight-line basis

Q. Grants:

In 2022 the District applied and received three grants totaling \$4,192,090. The grants consist of the following:

<u>Project</u>	<u>Amount</u>	<u>Funds Received</u>
Cinnamon Lake and West Salem Force Main	\$ 500,000	\$ -0-
Concrete Structure Replacement	2,692,090	5,270
Water and Wastewater West Salem	1,000,000	-0-

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred. Grant payments received in advance of related project expenses are recorded as deferred revenue and included in current liabilities. The District recorded grant revenue included in nonoperating revenue of \$5,270 in 2022. As of December 31, 2022, the District had a project expense balance due of \$875. This amount is included in accounts payable.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 3. Deposits:

The following information is provided to give an indication of the steps the District takes to protect its cash deposits and the level of risk assumed for certain investments.

Ohio Revised Code authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; obligations of the United States government, its agencies and instrumentalities; bonds and other obligations of the State of Ohio; certain money market mutual funds and secured repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

Cash on Hand: At December 31, 2022, the District had \$200 in undeposited cash on hand, which is included in the Statement of Net Position of the District as part of Cash and Cash Equivalents.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105% of the total value of public monies on deposit at the institution.

If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State.

The District's financial institution participates in the OPCS and was approved for a reduced collateral floor of 50 percent, which increased to 60%, or higher, on March 1, 2021. As of December 31, 2022, the carrying amount of the District's deposits was \$842,721. This includes cash held with Avon Lake Regional Water (ALRW) as fiscal agent \$451,860 and The District's balance of \$390,861. The District's total bank balance of \$394,016 was covered by the federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The District had no investments at December 31, 2022.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 4. Long-Term Obligations:

A summary of long-term obligations for the year ended December 31, 2022, is as follows:

Description	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Amount Due In One Year
Lorain County Rural Wastewater District borrowed \$5,000 from New Russia Township in March 1997 and \$5,000 in October 2000 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	\$ 5,000	\$ -0-	\$ -0-	\$ 5,000	\$ -0-
Lorain County Rural Wastewater District borrowed \$2,500 from Camden Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed \$5,500 from Grafton Township in April 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	5,500	-0-	-0-	5,500	-0-
Lorain County Rural Wastewater District borrowed \$2,500 from Henrietta Township in December 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District borrowed \$2,500 from Pittsfield Township in February 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
Lorain County Rural Wastewater District Borrowed \$500 from Rochester Township In June 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District Borrowed \$2,500 from South Amherst Village In June 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-

(continued)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Amount Due In One Year
Lorain County Rural Wastewater District borrowed \$500 from Kipton Village in March 2001 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	500	-0-	-0-	500	-0-
Lorain County Rural Wastewater District borrowed \$2,500 from Huntington Township in January 2002 for the start-up/organization of this entity. Timing of repayment is contingent upon availability of funds.	2,500	-0-	-0-	2,500	-0-
LMRE Note Payable (Note 9)	96,536	-0-	96,536	-0-	-0-
Lorain County Rural Wastewater District Entered into a cooperative Agreement with Avon Lake Regional Water (ALRW). The loan consists of operating expenses and charges by ALRW that are not covered by the revenue received by ALRW as fiscal agent on The District's behalf. Timing of repayment is contingent upon availability of funds. (Note 12)	-0-	7,508,752	-0-	7,508,752	-0-
Lorain County Rural Wastewater District entered into a cooperative Agreement with Ohio Water Development Authority (OWDA) on September 24, 2015. The OWDA will finance the eligible project costs for Carrington Pointe Sewer. The maximum loan amount is \$262,829 from Fresh Water Fund with \$239,908 used. The interest rate is 2.950% for 20 years starting on January 1, 2017.					
All revenues from all sewer facilities of Lorain County Rural Wastewater District are promised as repayment. Avon Lake Regional Water (ALRW) will be acting as agent on Lorain County Rural Wastewater District's behalf. The Lorain County Auditor's Office will transfer funds semi-annually to ALRW to deposit into Lorain County Rural Wastewater District funds account and then forward to OWDA to pay the semi-annual loan payment. The estimated semi-annual loan payment is \$8,104.					
	195,305	7,508,752	10,523	184,782	10,835
	<u>\$ 315,841</u>	<u>\$7,508,752</u>	<u>\$ 107,059</u>	<u>\$7,717,534</u>	<u>\$ 10,835</u>

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Amount Due In One Year
A net pension liability in the amount of \$57,162 was recorded based on LORCO's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2021.	\$ 96,399	\$ - 0-	\$ 39,237	\$ 57,162	\$ -0-
	<u>\$ 96,399</u>	<u>\$ -0-</u>	<u>\$ 39,237</u>	<u>\$ 57,162</u>	<u>\$ -0-</u>
Description	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Amount Due In One Year
A net OPEB liability/asset in the amount of (\$19,137) was recorded based on LORCO's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2021.	\$ (10,796)	\$ -0-	\$ 8,341	\$ (19,137)	\$ -0-
	<u>\$ (10,796)</u>	<u>\$ -0-</u>	<u>\$ 8,341</u>	<u>\$ (19,137)</u>	<u>\$ -0-</u>

Note 5. Deferred Tap Fee:

Per the cooperative agreement between Lorain County Rural Wastewater District (LORCO) and Avon Lake Regional Water (ALRW) dated December 7, 2009, LORCO shall pay a tap fee of \$775,000 to ALRW contingent upon the certification of the system. This agreement was amended on September 15, 2011, with a second amendment on November 17, 2015. The project certification date was November 18, 2011. Therefore, the repayment of the tap fees, per the second amendment, will be \$100,000 on each of the tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth anniversaries of the certification date and \$75,000 on the seventeenth anniversary.

The tap fee allows LORCO to tap into the ALRW system. The expense will be recognized over the 40-year life of the cooperative agreement. LORCO will pay the fee using revenue generated from system development.

LORCO shall pay ALRW \$72,048, which consists of \$31,754 from the first three year delay and an additional \$40,294 for the additional six year delay, on each of the tenth, eleventh, and twelfth anniversaries, and \$40,294 on each of the thirteenth, fourteenth, fifteenth, sixteenth and seventeenth anniversaries of the certification date in respect of the accumulated interest for deferring the tap fee by nine years based on the Weighted Average Cost of Funds. LORCO shall pay an additional amount of \$1,130 in accrued interest as the tenth anniversary payment was made on January 18, 2022. The eleventh anniversary payment was made timely.

ALRW, as agent, collected \$345,226 from the custodial account for the tenth and eleventh tap fee payment reducing the tap fee payable to \$575,000 and the deferred interest to \$273,516.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 6. Insurance:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains comprehensive insurance coverage which includes Comprehensive General Liability, Wrongful Act Liability, and Automobile Liability. Settled claims have not exceeded insurance coverage in the past three years and there has been no significant reduction in coverage from prior years.

Note 7. Retirement Commitments:

A. Net Pension Liability:

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

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

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

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

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

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

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

	<u>State and Local</u>
2021 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2021 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	<u>0.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$14,644 for the year 2022. Of this amount, \$-0- is reported as accrued payroll.

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

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

Proportion of the net pension liability:	
Current measurement date	0.000657%
Prior measurement date	0.000651%
Change in proportionate share	0.000006%
Proportionate share of the net Pension liability	\$ 57,162
Pension expense	\$(20,901)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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

	<u>OPERS</u>
Deferred Outflows of Resources	
Difference between expected and actual experience	\$ 2,914
Changes in assumptions	7,148
Changes in proportion	1,540
District contributions subsequent to the measurement date	<u>14,644</u>
Total deferred outflows of resources	<u>\$26,246</u>
	<u>OPERS</u>
Deferred Inflows of Resources	
Difference between expected and actual experience	\$ 1,254
Net difference between projected and actual earnings on pension plan investments	67,992
Changes in proportion	<u>0</u>
Total deferred inflows of resources	<u>\$69,246</u>

Fourteen thousand six hundred forty-four (\$14,644) 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>
Fiscal Year Ending December 31:	
2023	\$ (7,666)
2024	(23,174)
2025	(15,988)
2026	<u>(10,816)</u>
Total	<u>\$(57,644)</u>

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS

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

Projections of 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 in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75 percent
Future salary increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013	3 percent, simple
Post January 7, 2013	3.0 percent simple through 2022, then 2.05 percent simple
Investment rate of return	6.9 percent
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3.00 percent simple through 2021 then .50 simple to 3.0 percent simple through 2022 then 2.05 percent simple. In October 2021, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 7.2 percent to 6.9 percent. This change was effective beginning with the 2018 valuation. Pre-retirement mortality rates were 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 tables for males and females, adjusted for mortality improvements back to the observation period base year of 2006. The base year for males and females was then established to 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 for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2020, mortality rates were based on the RP-2014 Healthy Annuitant table. For males, Healthy Annuitant mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

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

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

OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annualized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 15.34% for 2021.

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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For each major class that is included in the Defined Benefit portfolios target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	24.00%	1.03 %
Domestic equities	21.00	3.78 %
Real estate	11.00	3.66 %
Private equity	12.00	7.43 %
International equities	23.00	4.88 %
Other investments	9.00	5.77 %
Total	<u>100.00%</u>	<u>4.21 %</u>

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

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

	<u>1% Decrease (5.9%)</u>	<u>Current Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
District's proportionate share of the net pension:			
Liability (Asset)	\$150,709	\$57,162	\$(20,682)

Changes between the measurement date and the reporting date during 2022, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2022. The effects of these changes are unknown.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Asset):

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in payable on the accrual basis of accounting.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

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

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

In order to qualify for postemployment health care coverage, age-and-service retirees under Traditional Pension and Combined Plans must have 20 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 Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' ACFR 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS.

When funding is approved by the OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2021. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar year 2022. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for Member-Directed Plan participants for 2021 was 4.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$-0- for 2022.

The total employer contribution rate stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Lorain County Rural Wastewater District used to fund health care were \$-0-, \$-0-, \$-0-, \$-0- for 2022, 2021, 2020, 2019, and 2018, respectively. The 2022 payable to fund health care was \$-0-.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

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

The net OPEB liability (asset) and total OPEB liability (asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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:

Proportion of the net OPEB liability(asset):	
Current measurement date	0.000611%
Prior measurement date	0.000606%
Change in proportionate share	0.000005%
Proportionate share of the net OPEB liability (asset)	\$(19,137)
OPEB expense	\$(23,218)

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

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 0
Changes of assumptions	0
Changes in proportion and differences between District contributions and proportionate share of contributions	756
Total deferred outflows of resources	<u>\$ 756</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 2,903
Changes in assumptions	7,747
Net difference between projected and actual earnings on OPEB plan investments	9,123
Changes in proportion	0
Total deferred inflows of resources	<u>\$19,773</u>

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$-0- reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2023	\$(11,501)
2024	(4,213)
2025	(1,993)
2026	(1,310)
Total	<u>\$(19,017)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. 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	2.75 percent
Projected salary increases, including inflation	2.75 to 10.75 percent including wage inflation
Single discount rate:	-
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Investment rate of return	6.00 percent
Municipal bond rate	
Current measurement date	1.84 percent
Prior measurement date	2.00 percent

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

Health care cost trend rate	
Current measurement date	5.5 percent, initial
	3.50 percent, ultimate in 2034
Prior measurement date	8.50 percent, initial
	3.50 percent, ultimate in 2035
Actuarial cost method	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment rate of return assumption, reducing it from 6.5 percent to 6 percent. The change was effective beginning with the 2018 valuation. 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, 2020.

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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan eligible members.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

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 14.34 percent for 2021.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. For each major asset class that is included in the Health Care portfolio's target asset allocation policy as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78 %
Real Estate Investment Trust	7.00	3.71 %
International Equities	25.00	4.88 %
Other investments	9.00	4.85 %
Total	<u>100.00 %</u>	<u>3.45 %</u>

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

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 1.84 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 (Asset) to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease <u>(5.00%)</u>	Current Discount Rate <u>(6.00%)</u>	1% Increase <u>(7.00 %)</u>
District's proportionate share of the net OPEB asset	\$(11,255)	\$(19,137)	\$(25,680)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability(Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

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 (asset) calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption with 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 2021 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Changes between the measurement date and the reporting date during 2022, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2022. The effects of these changes are unknown.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability(asset)	\$(19,344)	\$(19,137)	\$(18,892)

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 8. Leasing Arrangements:

The District leases office space from Lorain-Medina Rural Electric Cooperative, Inc. This lease was for a one-year period ended December 31, 2022 and may be renewed for additional one-year terms upon agreement of both parties. The lease requires rent in the amount of \$250 per month, for a total of \$3,000. The District also leases two units from Cinnamon Lake Utilities Association, Inc. which began in October 2017 with the asset transfer to the District. This lease ended December 31, 2022. The lease requires rent in the amount of \$255 per month, for a total of \$3,060. Rent expense for the year ended December 31, 2022 was \$6,060. As of December 31, 2022, the District owed \$0 in accrued rent to Lorain-Medina Rural Electric Cooperative, Inc.

Note 9. Administrative Arrangements:

The District had retained the services of the Director of Economic and Community Development of Lorain-Medina Rural Electric Cooperative, Inc. (LMRE) as an independent contractor to be the Executive Director of the District. The wage agreement with LMRE terminated June 30, 2009. As of December 31, 2022, the District owed \$0, in accrued administrative costs.

Note 10. Accountability and Financial Outlook:

For the fiscal year ended December 31, 2022, Lorain County Rural Wastewater District had a net loss of \$1,002,619, and accumulated net position of (\$5,667,263).

Note 11. COVID-19:

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 12. Restatement of Net Position:

In June 2025 an agreement was made between the District and Avon Lake Regional Water (ALRW) to bring all prior year activity from 2011 onto the books for sewer collections and liability to ALRW for the short-fall of operating expenses.

The restated Net Position was a reduction in the amount of \$5,514,353. This consists of cash \$680,422 and liability due to ALRW of \$6,194,775.

Note 13. Subsequent Events:

As of May 22, 2023, the date the financial statements were issued, based on discussions taking place, it is probable that the cooperative agreement between the District and Avon Lake Regional Water (ALRW) will be amended.

On December 2022, the District entered into an agreement with Ohio Water Development Authority (OWDA) to finance the Cinnamon Lake Force Main to West Salem. The total amount of the loan will be \$586,012. Funds will be received on a reimbursement request process. As of December 31, 2022 no funds have been received. Upon completion of the project, the construction loan will be converted to a thirty-year loan with two payments a year. The interest rate on the loan was not available as of the date of this report.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System - Traditional Plan

Last Eight Years (*)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.000657%	0.000651%	0.000632%	0.000917%	0.000690%	0.000530%	0.000545%	0.000566%
District's Proportionate Share of the Net Pension Liability	\$ 57,162	\$ 96,399	\$ 124,919	\$ 251,148	\$ 108,248	\$ 120,354	\$ 94,401	\$68,266
District's Covered-Employee Payroll	\$ 104,600	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736	\$ 68,517	\$ 67,850	\$69,442
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	54.65%	104.16%	140.48%	204.15%	119.29%	175.65%	139.13%	98.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.01%	87.21%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District Contributions Ohio Public Employees Retirement System - Traditional Plan

Last Nine Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 14,644	\$ 13,346	\$ 12,957	\$ 12,449	\$ 17,222	\$ 11,796	\$ 8,222	\$ 8,142	\$8,333
Contributions in Relation to the Contractually Required Contribution	<u>(14,644)</u>	<u>(13,346)</u>	<u>(12,957)</u>	<u>(12,449)</u>	<u>(17,222)</u>	<u>(11,796)</u>	<u>(8,222)</u>	<u>(8,142)</u>	<u>(8,333)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$ 104,600	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736	\$ 68,517	\$ 67,850	\$69,442
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset) Ohio Public Employees Retirement System

Last Five Years (*)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the Net OPEB Liability (Asset)	0.000611%	0.000606%	0.000589%	0.000854%	0.000640%
District's Proportionate Share of the Net OPEB Liability(Asset)	\$ (19,137)	\$ (10,796)	\$ 81,356	\$ 111,341	\$ 69,499
District's Covered-Employee Payroll	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736
District's Proportionate Share of the Net OPEB Liability(Asset) as a Percentage of its Covered-Employee Payroll	-20.08%	-11.67%	91.49%	90.51%	76.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%	54.14%

* Information prior to 2017 is not available.

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

LORAIN COUNTY RURAL WASTEWATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District OPEB Contributions Ohio Public Employees Retirement System

Last Six Years (*)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 907
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(907)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District Covered-Employee Payroll	\$ 104,600	\$ 95,326	\$ 92,550	\$ 88,921	\$ 123,014	\$ 90,736
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

* 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2022

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below.

	<u>2022</u>	<u>2019</u>	<u>2018 and 2017</u>	<u>2016 and Prior</u>
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA Pre-January 7, 2013 Post-January 7, 2013	3 percent simple See below	3.00 percent simple See below	3.00 percent simple See below	3.00 percent simple See below
Investment Rate of Return	6.90 percent	7.20 percent	7.50 percent	8.00 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows:

2022	3.0 percent simple through 2021, then 2.05 percent simple
2021	.50 percent simple through 2021, then 2.15 percent simple
2020	1.40 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3.00 percent simple through 2019, then 2.15 percent simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported beginning in 2017 use preretirement mortality rates 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. Postretirement mortality rates were 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.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2022

Changes in Assumptions – OPERS Pension (Continued)

The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were 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 were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

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

Investment Return Assumptions	
Beginning in 2019	6.00 Percent
2018	6.50 Percent
Municipal Bond Rate	
2022	1.84 Percent
2021	2.00 Percent
2020	2.75 Percent
2019	3.71 Percent
2018	3.31 Percent
Single Discount Rate	
2022	6.00 Percent
2021	6.00 Percent
2020	3.16 Percent
2019	3.96 Percent
2018	3.85 Percent
Health Care Cost Trend Rate	
2022	5.50 Percent Initial 3.50 Percent Ultimate in 2034
2021	8.00 Percent Initial 3.50 Percent Ultimate in 2035
2020	10.00 Percent Initial 3.50 Percent Ultimate in 2030
2019	10.00 Percent Initial 3.25 Percent Ultimate in 2029
2018	7.50 Percent Initial 3.25 Percent Ultimate in 2028

Changes in Benefit Terms - OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in an effort to decrease costs and increase the solvency of the health care plan. These changes were effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees as well as replacing OPERS sponsored medical plans for non-Medicare retirees with monthly allowances similar to the program for Medicare retirees. These changes are reflected in 2021.



6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Lorain County Rural Wastewater District
Lorain County
22898 West Road
Wellington, Ohio 44090

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lorain County Rural Wastewater District, Lorain County (the District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated June 15, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lorain County Rural Wastewater District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lorain County Rural Wastewater District's response to the findings identified in our audit and described in the accompanying schedule of findings. Lorain County Rural Wastewater District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CANTER & ASSOCIATES

Poland, Ohio

June 15, 2025

**LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2023-001

MATERIAL WEAKNESS

Financial Reporting

Financial reporting is the responsibility of management, and it is essential that financial statements are presented fairly and free of material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs A14 & A16. The Governmental Accounting Standards Board (GASB) states that a governmental accounting system is required to make it possible for the funds and activities of the governmental unit to be presented fairly and with full disclosure in conformity with generally accepted accounting principles as well as to be able to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were noted:

2023:

- The district entered into a co-op agreement with Avon Lake Rural Water (ALRW), a component unit of the City of Avon (the "city"), for a sewer line project that both the city and the district would fund. The district would be responsible for their agreed upon portion of debt and the city would bill and collect on behalf of the district and utilize funds collected on behalf of the district for annual maintenance costs and payments due to the city for amounts funded by the city. The city would account for the activity in a custodial fund and any shortfall in collections would become due to the city. The district was not properly accounting for the revenue, expense, or liability activity and therefore underreported revenue by \$2,251,859, expenditures by \$3,614,92, and liabilities by \$1,719,114. In addition, the district had cash on hand with fiscal agent not reported on their financial statements in the amount of \$635,864. The beginning net position was restated in 2022 for all prior year activity.
- A payment was made on the Deferred Tap Fee and the Deferred Interest totaling \$172,048 and while the deferred tap fee and deferred interest were reduced by \$100,000 and \$72,048 respectively, the district recorded a liability for the amount of the payment of \$172,048. This should have reduced the custodial cash held by ALRW instead of creating a new liability for the same amount. By recording this new liability the net effect was a zero reduction to the liabilities and they should have been reduced by the payment.

2022:

- The district entered into a co-op agreement with Avon Lake Rural Water (ALRW), a component unit of the City of Avon (the "city"), for a sewer line project that both the city and the district would fund. The district would be responsible for their agreed upon portion of debt and the city would bill and collect on behalf of the district and utilize funds collected on behalf of the district for annual maintenance costs and payments due to the city for amounts funded by the city. The city would account for the activity in a custodial fund and any shortfall in collections would become due to the city. The district was not properly accounting for the revenue, expense, or liability activity and therefore underreported revenue by \$2,024,901, expenditures by \$3,222,214, and liabilities by \$1,313,977. In addition, the district had cash on hand with fiscal agent not reported on their financial statements in the amount of \$451,860. The beginning net position was restated for all prior year activity.
- A payment was made on the Deferred Tap Fee and the Deferred Interest totaling \$345,226 and while the deferred tap fee and deferred interest were reduced by \$125,000 and \$220,226 respectively, the district recorded a liability for the amount of the payment of \$345,226. This should have reduced the custodial cash held by ALRW instead of creating a new liability for the same amount. By recording this new liability the net effect was a zero reduction to the liabilities and they should have been reduced by the payment.

The above adjustments have been reflected in the financial statements.

We recommend the District ensure to properly record all financial activity, including on-behalf activity, to help ensure the information accurately reflects the entire activity of the District and thereby increasing the reliability of the financial data throughout the year.

Official's Response:

Management agrees with the findings and has corrected going forward.



Lorain County Rural Wastewater District (LORCO)
PO Box 158
Wellington, OH 44090
440.647.4882
www.lorco.org

**LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023 AND 2022**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Financial Reporting	Not Corrected	Reissued as Finding 2023-001

OHIO AUDITOR OF STATE KEITH FABER



LORAIN COUNTY RURAL WASTEWATER DISTRICT

LORAIN 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 1/27/2026

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

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