CANTER & ASSOCIATES

LORAIN COUNTY RURAL WASTEWATER DISTRICT

LORAIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2021 & 2020

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of Lorain County Rural Wastewater District, Lorain County, prepared by Canter & Associates, for the audit period January 1, 2020 through December 31, 2021. 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. Lorain County Rural Wastewater District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 30, 2022

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LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY

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CANTER & ASSOCIATES

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 11 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District.

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 Distric'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 September 28, 2022, 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 & Assoc

CANTER & ASSOCIATES

Poland, Ohio
September 28, 2022

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.

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 assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $849,709 at year end 2021.

The District's net position increased by $329,119 (63.2%) in 2021.

The District had a increase in Operating Revenues of $49,321 (7.0%) in 2021. Operating Expenses (excluding depreciation and amortization) decreased $94,848 (-15.9%) in 2021.

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.

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 hosted a press conference by Ohio Lt. Governor Jon Husted. Lt. Governor Husted announced a $1 million Ohio House Bill 168 (HB 168) Water and Wastewater Infrastructure Grant to the District for the Cinnamon Lake/West Salem force main project.

The District was awarded another grant from HB 168 in the amount of $2.7 million. This grant is for Phase 1 area concrete structure replacement and rehabilitation project and wet weather inflow and infiltration (I&I) study.

The District also was awarded a grant in the amount of $500,000 from the Ashland County Commissioners for assistance in funding the Cinnamon Lake/West Salem force main project and lift station improvements at Cinnamon Lake.

The District submitted the Water Pollution Control Loan Fund (WPCLF) application to the Ohio EPA Division of Environmental and Financial Assistance (DEFA) for Cinnamon Lake force main/maintenance building project. The District is continuing to work with Ohio RCAP, Makeever & Associates, and Ohio EPA on the WPCLF environmental review for the Cinnamon Lake/West Salem force main project.

The Executive Director testified at an annexation hearing in which the Village of Grafton was seeking to annex approximately 40 acres of Eaton Township. The parcel is within the District's existing Phase 1 Facility Planning Area (FPA).

The District received approval for increase in Phase 1 FPA on the east side of Hawke Road between Root Road (north) and railroad tracks (south). This change transferred 44 parcels (172.2 acres) from the Lorain County FPA to the Avon Lake/District Phase 1 FPA in Columbia Township.

The District received approval for an increase in Phase 1 FPA on the east side of SR 57 between SR 82 and Capel Road. This change transferred all or parts of 15 parcels (73.5 acres) from the Elyria FPA to the Avon Lake/District Phase 1 FPA in Eaton Township.

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR (Continued)

The District received from the Lorain County planning commission two sets of preliminary plans to review for proposed subdivisions within the District's Phase 1 area.

1. Woods at Eaton (Phase 2) Subdivision. The proposed subdivision consists of fifty-four (54) revised lots primarily located in Phase II of the approved Woods of Eaton Subdivision located on the south side of Cooley Road.

2. Mallard Creek Subdivision. The proposed subdivision consists of three hundred six (306) new sublots and the creation of several new streets and the extension of several streets from the Woods of Eaton Subdivision. This subdivision will eventually connect Cooley Road to Royalton Road.

Eugene M. Toy, Executive Director, agreed to continue employment with the latest addendum to the original employment contract dated December 2020.

NET POSITION

Table 1 summarizes the Net Position of the District.

TABLE 1

			2021 vs 2020	
	2021	2020	Dollar Change	Percent Change
Current and other assets	$ 1,345,872	$ 1,166,576	$ 179,296	15.4%
Capital assets	1,311,664	1,269,204	42,460	3.3%
Total assets	2,657,536	2,435,780	221,756	9.1%
Deferred outflows of resources - Pension	15,713	31,885	(16,172)	-50.7%
Deferred outflows of resources - OPEB	2,461	21,222	(18,761)	-88.4%
Current and other liabilities	1,322,425	1,297,825	24,600	1.9%
Long-term liabilities - Debt	401,717	569,280	(167,563)	-29.4%
Total liabilities	1,724,142	1,867,105	(142,963)	-7.7%
Deferred inflows of resources - Pension	55,020	64,063	(9,043)	-14.1%
Deferred inflows of resources - OPEB	46,839	37,129	9,710	26.2%
Net invested in capital assets	1,116,359	1,063,680	52,679	5.0%
Unrestricted	(266,650)	(543,090)	276,440	50.9%
Total net position	$ 849,709	$ 520,590	$ 329,119	63.2%

The total assets plus deferred outflows of resources of the District exceeded liabilities plus deferred inflows of resources on December 31, 2021 by $849,709.

NET POSITION (Continued)

The District's Net Position increased $329,119 (63.2%). The increase is primarily due to income from operations.

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, 2020.

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

	2021	2020	2021 vs 2020 Dollar Change	2021 vs 2020 Percent Change
Operating revenue	$ 751,210	$ 701,889	$ 49,321	7.0%
Operating expenses	502,036	596,884	(94,848)	-15.9%
Depreciation/amortization expenses	12,401	11,751	650	5.5%
Total expenses	514,437	608,635	(94,198)	-15.5%
Operating income (loss)	236,773	93,254	143,519	153.9%
Nonoperating revenue	99,474	98,876	598	0.6%
Nonoperating expenses	7,128	60,011	(52,883)	-88.1%
Nonoperating income (loss)	92,346	38,865	53,481	137.6%
Change in net position	329,119	132,119	197,000	149.1%
Beginning net position	520,590	388,471	132,119	34.0%
Ending net position	$ 849,709	$ 520,590	$ 329,119	63.2%

Total Operating Expenses decreased $94,848 (-15.9%) in 2021 with the majority of the decrease due to office supplies and expense and wages.

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 ($8,043).

CAPITAL ASSETS

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 ($63,450).

The District had an increase in Capital Assets (before depreciation) of $54,861 (4.1%) in 2021 as shown in Table 3.

TABLE 3

	2021	2020	2021 vs 2020 Dollar Change	2021 vs 2020 Percent Change
Land and easements	$ 10,012	$ 10,012	$ 0	0.0%
Tanks, stations, and lines	328,379	273,518	54,861	20.1%
Furniture and fixtures	2,359	2,359	0	0.0%
Machinery and equipment	250,707	250,707	0	0.0%
CIP non-depreciable	792,343	792,343	0	0.0%
Loan fees	3,022	3,022	0	0.0%
Total before depreciation	1,386,822	1,331,961	54,861	4.1%
Accumulated depreciation/amort	(75,158)	(62,757)	(12,401)	19.8%
Total capital assets, Net	$ 1,311,664	$ 1,269,204	$ 42,460	3.3%

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

	2021	2020	2021 vs 2020 Dollar Change	2021 vs 2020 Percent Change
Notes and OWDA loans payable	$ 315,841	$ 373,224	$ (57,383)	-15.4%
Net pension liability	96,399	124,919	(28,520)	-22.8%
Net OPEB liability	0	81,356	(81,356)	-100.0%
Total long-term obligations	$ 412,240	$ 579,499	$ (167,259)	-28.9%

DEBT (Continued)

In 2015, the District was approved for a loan in the amount of $262,829 with total disbursements of $239,908 and a balance remaining of $195,305 at December 31, 2021 from the Ohio Water Development Authority (OWDA) for the Carrington Pointe Sewer project. See Note 4 of the financial statements for a summary of the long-term obligations.

A net pension liability and a net OPEB asset in the amount of $96,399 and ($10,796), respectively, were recorded based on the District's proportionate share of OPERS' Schedule of Collective Pension and OPEB amounts per the requirements of GASB 68 and GASB 75 based on a measurement date of December 31, 2020.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the Executive Director of the Lorain County Rural Wastewater District, 22898 West Road, P.O. Box 158, Wellington, Ohio 44090.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2021

ASSETS	
CURRENT ASSETS: (Note 2)	
Cash and cash equivalents	$ 431,142
Receivables:	
Trade	58,897
Special Assessments	259,519
Prepaid expenses	551
Total current assets	750,109
NONCURRENT ASSETS:	
Accounts receivable - Tap assessment	6,000
Capitalized tap fee expense (Note 5)	578,967
Net OPEB asset (Note 7)	10,796
Total noncurrent assets	595,763
CAPITAL ASSETS: (Note 2)	
Non-depreciable capital assets, Net	802,355
Depreciable capital assets, Net	509,309
	1,311,664
Total assets	2,657,536
DEFERRED OUTFLOW OF RESOURCES:	
Pension (Note 7)	15,713
OPEB (Note 7)	2,461
Total deferred outflows of resources	18,174
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,675,710

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND (continued)

December 31, 2021

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable	$ 106,389
Accrued payroll	10,188
Compensated absences payable	1,583
OWDA loan payable	10,523
Total current liabilities	128,683
LONG-TERM LIABILITIES:	
Notes payable (Note 4 and Note 9)	120,536
OWDA loan payable (Note 4)	184,782
Net pension liability (Note 7)	96,399
Total long-term liabilities	401,717
OTHER LIABILITIES:	
Deferred tap fee (Note 5)	775,000
Deferred interest (Note 5)	418,742
	1,193,742
Total liabilities	1,724,142
DEFERRED INFLOW OF RESOURCES:	
Pension (Note 7)	55,020
OPEB (Note 7)	46,839
Total deferred inflows of resources	101,859
NET POSITION:	
Net investment in capital assets	1,116,359
Unrestricted deficit	(266,650)
Total net position	849,709
TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION	$ 2,675,710

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

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

For the Year Ended December 31, 2021

OPERATING REVENUE:	
Usage fee income	$ 691,210
Co-op income	60,000
Total operating revenue	751,210
OPERATING EXPENSES:	
Amortization expense	46
Bank fees	4,177
Depreciation expense	12,355
Dues and subscriptions	350
Engineering expense	3,125
HSA expense	3,000
Insurance	5,472
Legal and professional fees	40,087
Mileage expense	1,217
Office supplies and expense	2,928
Operations, maintenance, and billing	148,717
Outside services	2,153
O.P.E.R.S. - OPEB (Note 7)	(63,450)
O.P.E.R.S. - Pension (Note 7)	(8,043)
Payroll taxes	2,414
Postage expense	8,824
Building rent	6,060
Repairs and maintenance	111,198
Systems operations	20,046
Tap fee expense	19,375
Taxes - Other	169
Telephone	2,115
Utilities	44,462
Wages - Office	123,849
Wastewater treatment	23,791
Total operating expenses	514,437
INCOME (LOSS) FROM OPERATIONS	236,773

(continued)

The accompanying notes are an integral part of the 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, 2021

NONOPERATING REVENUES:	
Miscellaneous income	$ 838
Other income - Special assessment	82,429
Intergovernmental revenue	16,207
Total nonoperating revenues	99,474
NONOPERATING EXPENSES:	
Interest expense	7,121
Penalties	7
Total nonoperating expenses	7,128
CHANGE IN NET POSITION	329,119
NET POSITION - Beginning of period	520,590
NET POSITION - End of period	$ 849,709

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from usage fees	$ 691,210
Cash received from co-op	60,000
Cash received from tap fee assessment	1,000
Cash paid to employees, professional contractors, and suppliers for services and benefits	(654,204)
Net cash provided by operating activities	98,006
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash received - Miscellaneous	838
Cash received - Special assessment	82,429
Cash received from other governments	16,207
Cash paid for interest	(5,991)
Cash paid for penalties	(7)
Net cash provided by non-capital financing activities	93,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(54,861)
Repayment of principal on OWDA loan	(10,219)
Net cash used in capital and related financing activities	(65,080)
NET INCREASE IN CASH AND CASH EQUIVALENTS	126,402
CASH AND CASH EQUIVALENTS - Beginning of year	304,740
CASH AND CASH EQUIVALENTS - End of year	$ 431,142

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2021

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

Operating income	$	236,773
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Amortization		46
Depreciation		12,355
Change in assets, deferred outflow of resources, liabilities:		
(Increase) decrease in:		
Accounts receivable		(61,533)
Prepaid expenses		60
Deferred expenses		19,375
Deferred outflows - Pension		16,172
Deferred outflows - OPEB		18,761
Net OPEB asset		(10,796)
Change in liabilities:		
Increase (decrease) in:		
Accounts payable		(23,798)
Accrued expenses		(200)
Deferred inflows - Pension		(9,043)
Deferred inflows - OPEB		9,710
Net pension liability		(28,520)
Net OPEB liability		(81,356)
Net cash provided by (used in) operating activities	$	98,006

The accompanying notes are an integral part of the financial statements.

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.

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, 2021, the District reported a deficit of $266,650 in unrestricted net position.

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, adaptions, 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, 2021

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, 2021 was $12,401.

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Land and easements	$ 10,012	$ -	$ -	$ 10,012
Tanks, stations, and lines	273,518	54,861	-	328,379
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
	1,331,961	54,861	-	1,386,822
Less accumulated depreciaton/amort				
Tanks, stations, and lines	(51,781)	(9,245)	-	(61,026)
Furniture and fixtures	(2,359)	-	-	(2,359)
Machinery and equipment	(8,383)	(3,110)	-	(11,493)
Loan fees	(234)	(46)	-	(280)
Total accumulated depreciation/amort	(62,757)	(12,401)	-	(75,158)
Net capital assets	$ 1,269,204	$ 42,460	$ -	$ 1,311,664

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 2021, investments were limited to interest-bearing deposit accounts.

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).

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.

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, 2021, the District had $1.49 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.

Note 3. Deposits (Continued):

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 will increase to 60%, or higher, on March 1, 2021. As of December 31, 2021, the carrying amount of the District's deposits was $431,140. The District's total bank balance of $434,247 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, 2021.

Note 4. Long-Term Obligations:

A summary of long-term obligations for the year ended December 31, 2021, is as follows:

Description	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	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-

(continued)

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Amount Due In One Year
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-
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)	143,700	-0-	47,164	96,536	-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 $225,086 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 $8,745.	205,524	-0-	10,219	195,305	10,523
	$ 373,224	$ -0-	$ 57,383	$ 315,841	$ 10,523

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Amount Due In One Year
A net pension liability in the amount of $96,399 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, 2020.	$ 124,919	$ - 0-	$ 28,520	$ 96,399	$ -0-
	$ 124,919	$ -0-	$ 28,520	$ 96,399	$ -0-

Description	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Amount Due In One Year
A net OPEB liability/asset in the amount of ($10,796) 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, 2020.	$ 81,356	$ -0-	$ 92,152	$ (10,796)	$ -0-
	$ 81,356	$ -0-	$ 92,152	$ (10,796)	$ -0-

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.

ALRW paid LORCO a monthly payment of $5,000 beginning January 2021.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

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.

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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.

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

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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.

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:

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $13,346 for the year 2021. 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, 2020, 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	0.000651%
Prior Measurement Date	0.000632%
Change in Proportionate Share	0.000019%
Proportionate Share of the Net Pension Liability	$96,399
Pension Expense	($8,043)

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	$ 0
Changes in proportion	2,367
District contributions subsequent to the measurement date	13,346
Total deferred outflows of resources	$15,713

	OPERS
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 4,032
Net difference between projected and actual earnings on pension plan investments	37,573
Changes in proportion	13,415
Total deferred inflows of resources	$55,020

Thirteen thousand three hundred forty-six ($13,346) 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:

	OPERS
Fiscal Year Ending December 31:	
2022	$(27,706)
2023	(4,507)
2024	(15,316)
2025	(5,124)
Total	$(52,653)

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, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013	3 percent, simple
Post January 7, 2013	.5 percent simple through 2021, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3 percent simple through 2020 then 1.4 simple to .5 percent simple through 2021 then 2.15 percent simple. In October 2021, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 7.5 percent to 7.2 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 are 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.

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 12.02% for 2020.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.32 %
Domestic Equities	21.00	5.64 %
Real Estate	10.00	5.39 %
Private Equity	12.00	10.42 %
International Equities	23.00	7.36 %
Other Investments	9.00	4.75 %
Total	100.00%	5.43 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
District's proportionate share of the net pension: Liability	$183,881	$96,399	$23,657

Changes between the measurement date and the reporting date during 2021, the OPERS Board lowered the investment rate of return from 7.2% to 6.9% along with certain changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

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.

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.

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 2021. 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 2021.

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-, $907 for 2021, 2020, 2019, 2018, and 2017, respectively. The 2021 payable to fund health care was $-0-.

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, 2019, rolled forward to the measurement date of December 31, 2020, 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	0.000606%
Prior Measurement Date	0.000589%
Change in Proportionate Share	0.000017%
Proportionate Share of the Net OPEB Liability (Asset)	($10,796)
OPEB Expense	($63,450)

At December 31, 2021, 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	2,461
Total Deferred Outflows of Resources	$ 2,461
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 9,744
Changes in assumptions	12,186
Net difference between projected and actual earnings on OPEB plan investments	5,750
Changes in proportion	19,159
Total Deferred Inflows of Resources	$46,839

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:	
2022	$(20,047)
2023	(15,882)
2024	(8,327)
2025	(122)
Total	$(44,378)

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, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.00 percent

Note 7. Retirement Commitments (Continued):

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

Actuarial Assumptions – OPERS (Continued)

Health Care Cost Trend Rate	8.5 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, 2015.

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

During 2020, 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.

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 10.96 percent for 2020.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64 %
Real Estate Investment Trust	7.00	6.48 %
International Equities	25.00	7.36 %
Other investments	9.00	4.02 %
Total	100.00 %	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019.

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 2.00 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 2035. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2035, 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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00 %)
District's proportionate share of the net OPEB asset	$2,685	$10,796	$17,465

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 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 2020 is 8.50 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 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. 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)	$11,060	$10,796	$10,502

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, 2021 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, 2021. 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, 2021 was $6,060. As of December 31, 2021, the District owed $17,480 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, 2021, the District owed $96,536, in accrued administrative costs.

Note 10. Accountability and Financial Outlook:

For the fiscal year ended December 31, 2021, Lorain County Rural Wastewater District had net income of $329,119, and accumulated net position of $849,709.

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.

Note 12. Subsequent Events:

As of May 24, 2022, 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.

REQUIRED SUPPLEMENTARY INFORMATION

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 Seven Years (*)

	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.000651%	0.000632%	0.000917%	0.000690%	0.000530%	0.000545%	0.000566%
District's Proportionate Share of the Net Pension Liability	$ 96,399	$ 124,919	$ 251,148	$ 108,248	$ 120,354	$ 94,401	$68,266
District's Covered-Employee Payroll	$ 92,550	$ 88,921	$ 123,014	$ 90,736	$ 68,517	$ 67,850	$69,442
District's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered-Employee Payroll	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	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 Eight Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 13,346	$ 12,957	$ 12,449	$ 17,222	$ 11,796	$ 8,222	$ 8,142	$8,333
Contributions in Relation to the Contractually Required Contribution	(13,346)	(12,957)	(12,449)	(17,222)	(11,796)	(8,222)	(8,142)	(8,333)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$0
District Covered-Employee Payroll	$ 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%	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 Four Years (*)

	2021	2020	2019	2018
District's Proportion of the Net OPEB Liability (Asset)	0.000606%	0.000589%	0.000854%	0.000640%
District's Proportionate Share of the Net OPEB Liability(Asset)	$ (10,796)	$ 81,356	$ 111,341	$ 69,499
District's Covered-Employee Payroll	$ 92,550	$ 88,921	$ 123,014	$ 90,736
District's Proportionate Share of the Net OPEB Liaiblity(Asset) as a Percentage of its Covered-Employee Payroll	-11.33%	91.49%	90.51%	76.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 Five Years (*)

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0	$ 907
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	(907)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 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%	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.

SUPPLEMENTARY INFORMATION

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 new assumptions compared with those used in prior years are presented below.

	2019	2018 and 2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including 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	3.00 percent simple	3.00 percent simple	3.00 percent simple
Post-January 7, 2013	See below	See below	See below
Investment Rate of Return	7.20 percent	7.50 percent	8.00 percent
Actuarial Cost Method	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:

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
2016 and prior	3.00 percent simple through 2018, then 2.80 percent simple

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. 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.

Changes in Assumptions – OPERS Pension (Continued)

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	
2021	2.00 Percent
2020	2.75 Percent
2019	3.71 Percent
2018	3.31 Percent
Single Discount Rate	
2021	6.00 Percent
2020	3.16 Percent
2019	3.96 Percent
2018	3.85 Percent
Health Care Cost Trend Rate	
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, 2020
(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.

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 assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $520,590 at year end 2020.

The District's net position increased by $132,119 (34.0%) in 2020.

The District had a decrease in Operating Revenues of $6,976 (-1.0%) in 2020. Operating Expenses (excluding depreciation and amortization) decreased $55,260 (-8.5%) in 2020.

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.

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 received appointment notifications for board terms that expired March 27, 2020 for Huntington, Lagrange, New Russia, Pittsfield, Rochester, and Wellington Townships.

The District received a request from Raintree Development for infrastructure information for six parcels totaling approximately 220 acres between Slife Road and Butternut Ridge Road west of SR 301.

The District received notice that the Cinnamon Lake grant was approved by Ohio Development Services Agency for Community Development Block Grant (CDBG) – Residential Public Infrastructure Grant (RPIG) water/sewer infrastructure grant. The nominating form was submitted to Ohio EPA Water Pollution Control Loan Fund (WPCLF) for the other half of the project cost.

The District completed construction on the Timber Creek subdivision.

The District was approved via self-certification process by the District Sanitary Engineer a sanitary sewer Permit to Install (PTI) for Woods of Eaton. It was submitted to Ohio EPA for PTI review and issuance.

The District completed a clubhouse sanitary sewer lateral for the Brentwood Golf Course.

The District completed Barrington Phase 9 additional 22 lots.

The District received an award notification from the Ohio EPA Water Pollution Control Loan Fund (WPCLF) for $778,745 at .86%. Additional information was submitted to determine whether the term will be 20 or 30 years.

The District repaired a collapsed sewer on Laurel Drive in Cinnamon Lake.

Eugene M. Toy, Executive Director, agreed to continue employment with the latest addendum to the original employment contract dated December 2019.

SIGNIFICANT EVENTS AND EXPENDITURES DURING THE YEAR (Continued)

The District prepared the NPDES renewal application for Cinnamon Lake. The permit expired in September 2020.

The District installed sanitary sewer taps on 10 frontage lots that were split off on Slife Road in Carlisle Township. Subdivision plans are being prepared for the remaining approximately 65-acre parcel to the rear of the frontage lots.

NET POSITION

Table 1 summarizes the Net Position of the District.

TABLE 1

	2020	2019	2020 vs 2019 Dollar Change	2020 vs 2019 Percent Change
Current and other assets	$ 1,166,576	$ 1,043,859	$ 122,717	11.8%
Capital assets	1,269,204	1,263,112	6,092	0.5%
Total assets	2,435,780	2,306,971	128,809	5.6%
Deferred outflows of resources - Pension	31,885	102,581	(70,696)	-68.9%
Deferred outflows of resources - OPEB	21,222	29,461	(8,239)	-28.0%
Current and other liabilities	1,297,825	1,454,878	(157,053)	-10.8%
Long-term liabilities - Debt	569,280	592,013	(22,733)	-3.8%
Total liabilities	1,867,105	2,046,891	(179,786)	-8.8%
Deferred inflows of resources - Pension	64,063	3,349	60,714	1812.9%
Deferred inflows of resources - OPEB	37,129	302	36,827	12194.4%
Net Invested in capital assets	1,063,680	1,047,665	16,015	1.5%
Unrestricted	(543,090)	(659,194)	116,104	17.6%
Total net position	$ 520,590	$ 388,471	$ 132,119	34.0%

The total assets plus deferred outflows of resources of the District exceeded liabilities plus deferred inflows of resources on December 31, 2020 by $520,590.

The District's Net Position increased $132,119 (34.0%). The increase is primarily due to income from operations.

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, 2019.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020
(Unaudited)

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

			2020 vs 2019	
	2020	2019	Dollar Change	Percent Change
Operating revenue	$ 701,889	$ 708,865	$ (6,976)	-1.0%
Operating expenses	596,884	652,144	(55,260)	-8.5%
Depreciation/amortization expenses	11,751	11,510	241	2.1%
Total expenses	608,635	663,654	(55,019)	-8.3%
Operating income (loss)	93,254	45,211	48,043	106.3%
Nonoperating revenue	98,876	120,199	(21,323)	-17.7%
Nonoperating expenses	60,011	65,368	(5,357)	-8.2%
Nonoperating income (loss)	38,865	54,831	(15,966)	-29.1%
Change in net position	132,119	100,042	32,077	32.1%
Beginning net position	388,471	288,429	100,042	34.7%
Ending net position	$ 520,590	$ 388,471	$ 132,119	34.0%

Total Operating Expenses decreased $55,260 (-8.5%) in 2020 with the majority of the decrease due to office supplies and expense and wages.

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 2020 statements report pension expense of $18,115.

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 2020 statements report OPEB expense of $15,225.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020
(Unaudited)

CAPITAL ASSETS

The District had an increase in Capital Assets (before depreciation) of $17,843 (1.4%) in 2020 as shown in Table 3.

TABLE 3

	2020	2019	2020 vs 2019 Dollar Change	2020 vs 2019 Percent Change
Land and easements	$ 10,012	$ 10,012	$ 0	0.0%
Tanks, stations, and lines	273,518	262,816	10,702	4.1%
Furniture and fixtures	2,359	2,359	0	0.0%
Machinery and equipment	250,707	245,671	5,036	2.0%
CIP non-depreciable	792,343	792,343	0	0.0%
Loan fees	3,022	917	2,105	229.6%
Total before depreciation	1,331,961	1,314,118	17,843	1.4%
Accumulated depreciation/amort	(62,757)	(51,006)	(11,751)	23.0%
Total capital assets, Net	$ 1,269,204	$ 1,263,112	$ 6,092	0.5%

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

	2020	2019	2020 vs 2019 Dollar Change	2020 vs 2019 Percent Change
Notes and OWDA loans payable	$ 373,224	$ 430,308	$ (57,084)	-13.3%
Net pension liability	124,919	251,148	(126,229)	-50.3%
Net OPEB liability	81,356	111,341	(29,985)	-26.9%
Total long-term obligations	$ 579,499	$ 792,797	$ (213,298)	-26.9%

In 2015, the District was approved for a loan in the amount of $262,829 with total disbursements of $239,908 and a balance remaining of $205,524 at December 31, 2020 from the Ohio Water Development Authority (OWDA) for the Carrington Pointe Sewer project. See Note 4 of the financial statements for a summary of the long-term obligations.

DEBT (Continued)

A net pension liability and a net OPEB liability in the amount of $124,919 and $81,356, respectively, were recorded based on the District's proportionate share of OPERS' Schedule of Collective Pension and OPEB amounts per the requirements of GASB 68 and GASB 75 based on a measurement date of December 31, 2019.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the Executive Director of the Lorain County Rural Wastewater District, 22898 West Road, P.O. Box 158, Wellington, Ohio 44090.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2020

ASSETS	
CURRENT ASSETS: (Note 2)	
Cash and cash equivalents	$ 304,740
Receivables:	
Trade	60,163
Special assessments	195,720
Prepaid expenses	611
Total current assets	561,234
NONCURRENT ASSETS:	
Accounts receivable - Tap assessment	7,000
Capitalized tap fee expense (Note 5)	598,342
Total noncurrent assets	605,342
CAPITAL ASSETS: (Note 2)	
Non-depreciable capital assets, Net	802,355
Depreciable capital assets, Net	466,849
	1,269,204
Total assets	2,435,780
DEFERRED OUTFLOW OF RESOURCES:	
Pension (Note 7)	31,885
OPEB (Note 7)	21,222
Total deferred outflows of resources	53,107
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,488,887

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND (continued)

December 31, 2020

LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	$ 83,023
Accrued payroll	9,410
Compensated absences payable	2,561
OWDA loan payable	10,219
Total current liabilities	105,213
LONG-TERM LIABILITIES:	
Notes payable (Note 4 & Note 9)	167,700
OWDA loan payable (Note 4)	195,305
Net pension liability (Note 7)	124,919
Net OPEB liability (Note 7)	81,356
Total long-term liabilities	569,280
OTHER LIABILITIES:	
Deferred tap fee (Note 5)	775,000
Deferred interest (Note 5)	417,612
	1,192,612
Total liabilities	1,867,105
DEFERRED INFLOW OF RESOURCES:	
Pension (Note 7)	64,063
OPEB (Note 7)	37,129
Total deferred inflows of resources	101,192
NET POSITION:	
Net investment in capital assets	1,063,680
Unrestricted deficit	(543,090)
Total net position	520,590
TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION	$ 2,488,887

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

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

For the Year Ended December 31, 2020

OPERATING REVENUE:	
Usage fee income	$ 641,889
Co-op income	60,000
Total operating revenue	701,889
OPERATING EXPENSES:	
Amortization expense	46
Bank fees	4,550
Depreciation expense	11,705
Dues and subscriptions	350
Engineering expense	4,256
HSA expense	1,000
Insurance	5,396
Legal and professional fees	30,130
Mileage expense	1,046
Office supplies and expense	4,909
Operations, maintenance, and billing	127,688
Outside services	900
O.P.E.R.S. - OPEB (Note 7)	15,225
O.P.E.R.S. - Pension (Note 7)	18,115
Payroll taxes	2,571
Postage expense	7,097
Building rent	6,060
Repairs and maintenance	120,791
Systems operations	32,667
Tap fee expense	19,375
Telephone	2,136
Utilities	48,859
Wages - Office	122,505
Wastewater treatment	21,258
Total operating expenses	608,635
INCOME (LOSS) FROM OPERATIONS	93,254

(continued)

The accompanying notes are an integral part of the 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, 2020

NONOPERATING REVENUES:		
Miscellaneous income	$	2,611
Other income - Special assessment		80,058
Intergovernmental revenue		16,207
Total nonoperating revenues		98,876
NONOPERATING EXPENSES:		
Interest expense		60,011
Total nonoperating expenses		60,011
CHANGE IN NET POSITION	$	132,119
NET POSITION - Beginning of period		388,471
NET POSITION - End of period	$	520,590

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from usage fees	$ 641,889
Cash received from co-op	60,000
Cash received from tap fee assessment	1,000
Cash paid to employees, professional contractors, and suppliers for services and benefits	(690,581)
Net cash provided by operating activities	12,308
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash received - Miscellaneous	2,611
Cash received - Special assessment	80,058
Cash received from other governments	16,207
Cash paid for interest	(6,286)
Net cash provided by non-capital financing activities	92,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(17,842)
Repayment of principal on OWDA loan	(9,924)
Net cash used in capital and related financing activities	(27,766)
NET INCREASE IN CASH AND CASH EQUIVALENTS	77,132
CASH AND CASH EQUIVALENTS - Beginning of year	227,608
CASH AND CASH EQUIVALENTS - End of year	$ 304,740

(continued)

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended December 31, 2020

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

Operating income	$	93,254
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization		46
Depreciation		11,705
Change in assets, deferred outflow of resources, liabilities:		
(Increase) decrease in:		
Accounts receivable		(64,403)
Prepaid expenses		(557)
Deferred expenses		19,375
Deferred outflows - Pension		70,696
Deferred outflows - OPEB		8,239
Change in liabilities:		
Increase (decrease) in:		
Accounts payable		(72,083)
Accrued expenses		4,709
Deferred inflows - Pension		60,714
Deferred inflows - OPEB		36,827
Net pension liability		(126,229)
Net OPEB liability		(29,985)
Net cash provided by (used in) operating activities	$	12,308

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY RURAL WASTEWATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

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, 2020, the District reported a deficit of $543,090 in unrestricted net position.

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, adaptions, 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

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, 2020 was $11,705 and $46, respectively.

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	2019	Additions	Deletions	2020
Land and easements	$ 10,012	$ -	$ -	$ 10,012
Tanks, stations, and lines	262,816	10,702	-	273,518
Furniture and fixtures	2,359	-	-	2,359
Machinery and equipment	245,672	5,035	-	250,707
CIP non-depreciable	792,343	-	-	792,343
Loan fees	917	2,105	-	3,022
	1,314,119	17,842	-	1,331,961
Less accumulated depreciaton/amort				
Tanks, stations, and lines	(42,895)	(8,886)	-	(51,781)
Furniture and fixtures	(2,359)	-	-	(2,359)
Machinery and equipment	(5,564)	(2,819)	-	(8,383)
Loan fees	(188)	(46)	-	(234)
Total accumulated depreciation/amort	(51,006)	(11,751)	-	(62,757)
Net capital assets	$ 1,263,113	$ 6,091	$ -	$ 1,269,204

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 Statements of Cash Flows, all liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During 2020, investments were limited to interest-bearing deposit accounts.

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).

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.

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, 2020, the District had $166 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.

Note 3. Deposits (Continued):

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 will increase to 60%, or higher, on March 1, 2021. As of December 31, 2020, the carrying amount of the District's deposits was $304,574. The District's total bank balance of $321,189 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, 2020.

Note 4. Long-Term Obligations:

A summary of long-term obligations for the year ended December 31, 2020, is as follows:

Description	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	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-

(continued)

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Amount Due In One Year
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-
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)	190,860	-0-	47,160	143,700	-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 $225,086 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 $8,745.	215,448	-0-	9,924	205,524	10,219
	$ 430,308	$ -0-	$ 57,084	$ 373,224	$ 10,219

Note 4. Long-Term Obligations (Continued):

Description	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Amount Due In One Year
A net pension liability in the amount of $124,919 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, 2019.	$ 251,148	$ - 0-	$ 126,229	$ 124,919	$ -0-
	$ 251,148	$ -0-	$ 126,229	$ 124,919	$ -0-

Description	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Amount Due In One Year
A net OPEB liability in the amount of $81,356 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, 2019.	$ 111,341	$ -0-	$ 29,985	$ 81,356	$ -0-
	$ 111,341	$ -0-	$ 29,985	$ 81,356	$ -0-

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 paid LORCO a monthly payment of $5,000 beginning January 2020.

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.

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.

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

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.

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

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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.

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:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2020 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $12,957 for the year 2020. 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, 2019, 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	0.000632%
Prior Measurement Date	0.000917%
Change in Proportionate Share	0.000285%
Proportionate Share of the Net Pension Liability	$124,919
Pension Expense	$18,115

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	$ 6,672
Changes in proportion	12,256
District contributions subsequent to the measurement date	12,957
Total deferred outflows of resources	$31,885

	OPERS
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 1,579
Net difference between projected and actual earnings on pension plan investments	24,919
Changes in proportion	37,565
Total deferred inflows of resources	$64,063

Twelve thousand nine hundred fifty-seven ($12,957) 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Fiscal Year Ending December 31:	
2021	$(14,810)
2022	(21,463)
2023	1,032
2024	(9,894)
Total	$(45,135)

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, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013	3 percent, simple
Post January 7, 2013	3 percent simple through 2020, then 1.40 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple. In October 2018, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 7.5 percent to 7.2 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 are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2019, 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.

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 17.2% for 2019.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Note 7. Retirement Commitments (Continued):

A. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83 %
Domestic Equities	19.00	5.75 %
Real Estate	10.00	5.20 %
Private Equity	12.00	10.70 %
International Equities	21.00	7.66 %
Other Investments	13.00	4.98 %
Total	100.00%	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
District's proportionate share of the net pension: Liability	$206,032	$124,919	$52,001

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability:

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

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

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

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

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (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.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (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, 2020. 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 2020. 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 2020 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 2020.

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-, $907 for 2020, 2019, 2018, and 2017, respectively. The 2020 payable to fund health care was $-0-.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, 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:	
Current Measurement Date	0.000589%
Prior Measurement Date	0.000854%
Change in Proportionate Share	0.000265%
Proportionate Share of the Net OPEB Liability	$81,356
OPEB Expense	$15,225

At December 31, 2020, 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	$ 2
Changes of assumptions	12,878
Changes in proportion and differences between District contributions and proportionate share of contributions	8,342
Total Deferred Outflows of Resources	$21,222
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 7,440
Net difference between projected and actual earnings on OPEB plan investments	4,143
Changes in proportion	25,546
Total Deferred Inflows of Resources	$37,129

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

OPEB Liabilities, 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 2021. 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:	
2021	$ 3,807
2022	(5,175)
2023	(6,384)
2024	(8,155)
Total	$(15,907)

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 was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Health Care Cost Trend Rate	10.5 percent, initial 3.50 percent, ultimate in 2030
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, 2015.

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

During 2019, 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.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (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 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75 %
Real Estate Investment Trust	6.00	5.69 %
International Equities	23.00	7.66 %
Other investments	14.00	4.90 %
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018.

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (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 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability	$106,468	$81,356	$61,250

Note 7. Retirement Commitments (Continued):

B. Net OPEB Liability (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 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 2020 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$78,955	$81,356	$83,726

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, 2020 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, 2020. 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, 2020 was $6,060. As of December 31, 2020, the District owed $26,020 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, 2020, the District owed $143,700, in accrued administrative costs.

Note 10. Accountability and Financial Outlook:

For the fiscal year ended December 31, 2020, Lorain County Rural Wastewater District had net income of $132,119, and accumulated net position of $520,590.

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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The District's investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of 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.

Note 12. Subsequent Events:

As of May 27, 2021, 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. Also, the District received an award notification of $778,745 from Ohio EPA Water Pollution Control Loan Fund (WPCLF) to be received in 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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 Six Years (*)

	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.000632%	0.000917%	0.000690%	0.000530%	0.000545%	0.000566%
District's Proportionate Share of the Net Pension Liability	$ 124,919	$ 251,148	$ 108,248	$ 120,354	$ 94,401	$ 68,266
District's Covered-Employee Payroll	$ 88,921	$ 123,014	$ 90,736	$ 68,517	$ 67,850	$ 69,442
District's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered-Employee Payroll	140.48%	204.15%	119.29%	175.65%	139.13%	98.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Seven Years

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 12,957	$ 12,449	$ 17,222	$ 11,796	$ 8,222	$ 8,142	$ 8,333
Contributions in Relation to the Contractually Required Contribution	(12,957)	(12,449)	(17,222)	(11,796)	(8,222)	(8,142)	(8,333)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 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%	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
Ohio Public Employees Retirement System

Last Three Years (*)

	2020	2019	2018
District's Proportion of the Net OPEB Liability	0.000589%	0.000854%	0.000640%
District's Proportionate Share of the Net OPEB Liability	$ 81,356	$ 111,341	$ 69,499
District's Covered-Employee Payroll	$ 88,921	$ 123,014	$ 90,736
District's Proportionate Share of the Net OPEB Liaiblity as a Percentage of its Covered-Employee Payroll	91.49%	90.51%	76.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 Four Years (*)

	2020	2019	2018	2017
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 907
Contributions in Relation to the Contractually Required Contribution	0	0	0	(907)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 92,550	$ 88,921	$ 123,014	$ 90,736
Contributions as a Percentage of Covered-Employee Payroll	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.

SUPPLEMENTARY INFORMATION

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 new assumptions compared with those used in prior years are presented below.

	2019	2018 and 2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including 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	3 percent simple	3 percent simple	3 percent simple
Post-January 7, 2013	See below	See below	See below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	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:

2020	1.4 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3 percent simple through 2019. then 2.15 percent simple
2016 and prior	3 percent simple through 2018, then 2.8 percent simple

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvements 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 disables retiree mortality tables were determined by applying the MP-2015 Mortality Improvements Scale to the above described tables.

Changes in Assumptions – OPERS Pension (Continued)

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 percent
2018	6.5 percent
Municipal Bond Rate	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate	
2020	10 percent initial 3.5 percent ultimate in 2030
2019	10 percent initial 3.25 percent ultimate in 2029
2018	7.5 percent initial 3.25 percent ultimate in 2028

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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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated September 28, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

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) to determine the 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 2021-001 that we consider to be material weaknesses.

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

September 28, 2022

LORAIN COUNTY RURAL WASTEWATER DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2021

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

FINDING NUMBER 2021-001

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:

2020:

- Accounts payable included $143,700 in accrued administrative costs for an agreement with LMRE which was terminated June 30, 2009. This amount due is not due within the next year and should not be classified as a current liability as accounts payable. The amount is to be paid back over time which has extended beyond a year since it has been being carried since 2009. This amount was reclassified to a note payable under long term liabilities.
- Accrued interest of $417,612 was presented as a current liability. This accrued interest represents interest on the deferred tap fee of $775,000 and is to be paid back over a term of 8 years beginning on the tenth anniversary of the agreement. The amount of $417,612 was reclassified to other liabilities to match up with the deferred tap fees.
- Plant and buildings of $792,343 was classified as a depreciable asset and is currently not in service. This was reclassified to non-depreciable assets as construction-in-progress.

2021:

- Accounts payable included $96,536 in accrued administrative costs for an agreement with LMRE which was terminated June 30, 2009. This amount due is not due within the next year and should not be classified as a current liability as accounts payable. The amount is to be paid back over time which has extended beyond a year since it has been being carried since 2009. This amount was reclassified to a note payable under long term liabilities.
- Accrued interest of $418,742 was presented as a current liability. This accrued interest represents interest on the deferred tap fee of $775,000 and is to be paid back over a term of 8 years beginning on the tenth anniversary of the agreement. The amount of $418,742 was reclassified to other liabilities to match up with the deferred tap fees.
- Plant and buildings of $792,343 was classified as a depreciable asset and is currently not in service. This was reclassified to non-depreciable assets as construction-in-progress.

The above adjustments have been reflected in the financial statements.

We recommend the District ensure recording of financial transactions reporting to help ensure the information accurately reflects the 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.

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Lorain County Rural Wastewater District

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	**Significant Deficiency – Financial Statement Adjustments** Various financial statements adjustments were noted.	Not Corrected	A similar comment will be repeated as a material weakness in the current year schedule of findings as finding 2021-001

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 12/13/2022

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