NORTHERN OHIO RURAL WATER
HURON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022-2021

OHIO AUDITOR OF STATE
KEITH FABER

NORTHERN OHIO RURAL WATER
HURON COUNTY
DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

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INDEPENDENT AUDITOR'S REPORT

Northern Ohio Rural Water
Huron County
P.O. Box 96
Collins, Ohio 44826-0096

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Ohio Rural Water, Huron County, Ohio (the District), as of and for the years ended December 31, 2022 and 2021, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Northern Ohio Rural Water, Huron County, Ohio as of December 31, 2022 and 2021, and the respective changes in financial position and cash its flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 District, 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 opinion.

Emphasis of Matter

As discussed in Note 16 to the financial statements the District restated its December 31, 2021 net position to more appropriately reflect unbilled receivables at December 31. Our opinion is not modified with respect to this matter.

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 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 GAAS 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 GAAS 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 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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities (assets) and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2023, 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.

Keith Faber
Auditor of State
Columbus, Ohio

June 14, 2023

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NORTHERN OHIO RURAL WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021

(Unaudited)

This discussion and analysis, along with the accompanying financial reports of Northern Ohio Rural Water (NORW), is designed to provide our customers, bondholders, creditors, and other interested parties with a general overview of NORW 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 (asset) and the net OPEB liability (asset) 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 (asset)* and *net OPEB liability (asset)*. 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 (asset) and the net OPEB liability (asset) 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 (assets). 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 (asset) and the net OPEB liability (asset). As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities (assets) 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 (asset) and the net OPEB liability (asset) are satisfied, this liability (asset) is separately identified within the long-term liability (asset) 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 (asset) and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 87 and accounting for the unbilled receivable, the District is reporting a unbilled receivable, right of use asset and lease payable. This implementation also had the effect of restating net position at December 31, 2021 from $26,459,981 to 27,136,792.

Overview of Basic Financial Statements:

NORW is described in Note 1, and Summary of Significant Accounting Policies is described in Note 2. The Basic Financial Statements are presented using the accrual basis of accounting as further described in Note 2. The **Statement of Net Position** includes all NORW's Assets and Liabilities. This statement provides information about the nature and amounts of investments in resources (assets) owned by NORW, and obligations owed by NORW (liabilities) on December 31. NORW's net position (equity) is the difference between assets and liabilities. The **Statement of Revenues, Expenses and Changes in Net Position** provides information on NORW's operations over the period 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 NORW's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from

Overview of Basic Financial Statements (Continued):

operating, investing, and financing activities. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning NORW's net pension liability (asset) and net OPEB liability (asset).

Table I summarizes the Net Position of the District.

TABLE I

				2022 vs 2021		2021 vs 2020	
	2022	Restated 2021	2020	Dollar Change	Percent Change	Dollar Change	Percent Change
Current and other assets	$ 13,324,161	$ 11,321,836	$ 9,051,056	$ 2,002,325	17.7%	$ 2,270,780	25.1%
Capital assets, net	44,013,893	44,935,874	45,934,012	(921,981)	-2.1%	(998,138)	-2.2%
Total assets	57,338,054	56,257,710	54,985,068	1,080,344	1.9%	1,272,642	2.3%
Deferred outflows of resources:							
Pension	309,927	205,729	253,257	104,198	50.6%	(47,528)	-18.8%
OPEB	25,136	116,445	149,279	(91,309)	-78.4%	(32,834)	-22.0%
Total deferred outflow of resources	335,063	322,174	402,536	12,889	4.0%	(80,362)	-20.0%
Current liabilities	2,603,064	2,649,846	2,521,163	(46,782)	-1.8%	128,683	5.1%
Other liabilities	187,756	238,416	205,243	(50,660)	-21.2%	33,173	16.2%
Long-term liabilities	23,456,579	25,634,588	28,792,180	(2,178,009)	-8.5%	(3,157,592)	-11.0%
Total liabilities	26,247,399	28,522,850	31,518,586	(2,275,451)	-8.0%	(2,995,736)	-9.5%
Deferred inflows of resources:							
Pension	787,387	465,115	275,898	322,272	69.3%	189,217	068.6%
OPEB	280,574	455,127	51,916	(174,553)	-38.4%	403,211	776.7%
Total deferred inflow of resources	1,067,961	920,242	327,814	147,719	16.1%	592,428	180.7%
Net investment in capital assets	19,429,248	18,565,168	17,861,279	864,080	4.7%	703,889	3.9%
Restatement net position	0	676,811	0	(676,811)	-100.0%	676,811	100.0%
Restricted	1,431,263	1,423,146	1,439,126	8,117	0.6%	(15,980)	-1.1%
Unrestricted	9,497,246	6,471,667	4,240,799	3,025,579	46.8%	2,230,868	52.6%
Total net position	$ 30,357,757	$ 27,136,792	$ 23,541,204	$ 3,220,965	11.9%	$ 3,595,588	15.3%

- The total assets plus deferred outflows of resources of NORW exceeded liabilities plus deferred inflows of resources on December 31, 2022 and 2021 by $30,357,757 and $27,136,792, respectively.

- The District's net position increased $3,220,965 and $3,595,588 in 2022 and 2021, respectively, due primarily to income from operations.

NORTHERN OHIO RURAL WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021

(Unaudited)

Significant Events and Expenditures During the Year:

Current assets increased $2,002,325 due primarily to an increase in cash from operations. Net investment in capital assets increased $864,080 due primarily to the payment of notes and bonds payable.

Table II summarizes the changes in Revenue and Expenses and the resulting change in Net Position.

TABLE II

				2022 vs 2021		2021 vs 2020	
	2022	Restated 2021	2020	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating revenue	$ 10,205,991	$ 9,409,431	$ 9,640,709	$ 796,560	8.5%	$ (231,278)	-2.4%
Operating expenses	(6,288,467)	(5,728,802)	(6,438,959)	(559,665)	9.8%	710,157	-11.0%
Income from operations	3,917,524	3,680,629	3,201,750	236,895	6.4%	478,879	15.0%
Nonoperating revenue	300,209	300,076	393,274	133	0.0%	(93,198)	-23.7%
Nonoperating expenses	(996,768)	(1,061,928)	(1,129,663)	65,160	-6.1%	67,735	-6.0%
Nonoperating gain (loss)	(696,559)	(761,852)	(736,389)	65,293	-8.6%	(25,463)	3.5%
Change in net position	3,220,965	2,918,777	2,465,361	302,188	10.4%	453,416	18.4%
Beginning net position	27,136,792	23,541,204	21,075,843	3,595,588	15.3%	2,465,361	11.7%
Restatement net positon	0	676,811	0	(676,811)	-100.0%	676,811	100.0%
Ending net position	$ 30,357,757	$ 27,136,792	$ 23,541,204	$ 3,220,965	11.9%	$ 3,595,588	15.3%

- The District’s operating revenues increase in 2022 and decreased in 2021 by $796,560 (8.5%) and $231,278 (2.4%), respectively, while operating expenses increased in 2022 and decreased in 2021 by $559,665 (9.8%) and $710,157 (11.0%), respectively.

Significant Events and Expenditures During the Year:

The decrease in operating expense is due primarily to a $625,664 decrease in OPEB expense and a $69,766 decrease in water purchased. The 2022 increase in net position is due to results of operations. The decrease in nonoperating expenses is due primarily to a $66,193 decrease in interest expense. The 2021 increase in net position is due to results of operations.

NORTHERN OHIO RURAL WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021

(Unaudited)

Capital Assets:

Table III summarizes the changes in capital assets for the District.

TABLE III

	2022	Restated 2021	2020	2022 vs 2021 Dollar Change	2022 vs 2021 Percent Change	2021 vs 2020 Dollar Change	2021 vs 2020 Percent Change
Capital assets, non-depreciable:							
Land	$ 533,342	$ 533,342	$ 533,342	$ -	0.0%	$ -	0.0%
Easements	425,883	420,343	410,551	5,540	1.3%	9,792	2.4%
Current construction	879,106	723,879	439,081	155,227	21.4%	284,798	64.9%
Capital assets, depreciable:							
Buildings	2,340,650	2,340,650	2,340,650	-	0.0%	-	0.0%
Tanks, stations, and lines	77,486,816	76,555,297	75,957,060	931,519	1.2%	598,237	0.8%
Furniture and fixtures	578,608	578,608	547,807	-	0.0%	30,801	5.6%
Vehicles & distribution equip.	2,602,487	2,633,127	2,490,688	(30,640)	-1.2%	142,439	5.7%
Capital assets, amortizable:	32,294	32,294	-	-		32,294	100.0%
Total before depreciation	84,879,186	83,817,540	82,719,179	1,061,646	1.3%	1,098,361	1.3%
Accumulated depreciation and amortization	(40,865,293)	(38,881,666)	(36,785,167)	(1,983,627)	5.1%	(2,096,499)	5.7%
Total capital assets, net	$ 44,013,893	$ 44,935,874	$ 45,934,012	$ (921,981)		$ (998,138)	

NORW has $84,879,186 invested in its system (before depreciation) at December 31, 2022. This amount includes net additions of $1,061,646 during the year ended December 31, 2022.

The increase in tanks, stations, and lines in the amount of $931,519 is due primarily to water tank additions, line extensions, and tap installations. The decrease in vehicles and distribution equipment in the amount of $30,640 is due primarily to the disposition of a ditch witch machine.

See Note 2, Summary of Significant Accounting Policies, Paragraph D, Capital Assets, for further details of the various capital assets.

NORTHERN OHIO RURAL WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2022 and 2021

(Unaudited)

Long-Term Debt:

Table IV summarizes long-term debt for the District.

TABLE IV

	2022	Restated 2021	2020	2022 vs 2021 Dollar Change	2022 vs 2021 Percent Change	2021 vs 2020 Dollar Change	2021 vs 2020 Percent Change
Long-term debt:							
OWDA notes	$ 8,700,878	$ 9,735,104	$ 10,714,602	$ (1,034,226)	-10.6%	$ (979,498)	-9.1%
CoBank notes	12,042,567	12,711,002	13,352,631	(668,435)	-5.3%	(641,629)	-4.8%
Rural Development Bonds	3,841,200	3,924,600	4,005,500	(83,400)	-2.1%	(80,900)	-2.0%
Total long-term debt	24,584,645	26,370,706	28,072,733	(1,786,061)	-6.8%	(1,702,027)	-6.1%
Less: Current maturities	(1,769,317)	(1,786,061)	(1,702,027)	16,744	-0.9%	(84,034)	4.9%
Net total long-term debt	$ 22,815,328	$ 24,584,645	$ 26,370,706	$ (1,769,317)	-7.2%	$ (1,786,061)	-6.8%
Net pension liaiblity	$ 621,383	$ 1,018,630	$ 1,312,046	$ (397,247)	-39.0%	$ (293,416)	-22.4%
Net OPEB liability	$ -	$ -	$ 1,109,428	$ -	0.0%	$ (1,109,428)	-100.0%
Lease payable	$ 26,236	$ 32,294	$ -	$ (6,058)	-18.8%	$ 32,294	100.0%

See Note 5 of the financial statements for details of issuance and retirement of debt for the years ended December 31, 2022 and 2021.

Significant Events and Expenditures During the Year:

A net pension liability and a net OPEB liability in the amount of $621,383 and $-0-, respectively, were recorded based on NORW'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, 2021.

Contact Information:

Questions regarding this report and requests for additional information should be forwarded to Northern Ohio Rural Water, P.O. Box 96, Collins, Ohio 44826.

NORTHERN OHIO RURAL WATER

STATEMENTS OF NET POSITION

PROPRIETARY FUND TYPE

December 31, 2022 and 2021

ASSETS	2022	Restated 2021
CURRENT ASSETS: (Note 2)		
Cash and cash equivalents	$ 9,461,465	$ 7,750,652
Restricted cash (Note 11)	215,485	209,378
Cash and cash equivalents - Custodial funds	37,724	38,314
Receivables:		
Trade (net allowance for doubtful accounts of $11,642 in 2022 and $10,609 in 2021)	637,134	535,505
Unbilled (Note 2 and Note 17)	695,897	677,887
Tap installments	25,226	40,240
Other	83,712	83,456
Custodial funds	29,655	29,897
Inventory	259,917	262,818
Prepaid expenses	18,002	18,270
Total current assets	11,464,217	9,646,417
NONCURRENT ASSETS:		
Restricted cash (Note 11)	1,215,778	1,213,768
Capital assets, Non-depreciable:		
Land	533,342	533,342
Easements	425,883	420,343
Current construction	879,106	723,879
Capital assets, Depreciable:		
Buildings	2,340,650	2,340,650
Tanks, stations, lines, meters, and taps	77,486,816	76,555,297
Furniture and fixtures (Note 2)	578,608	578,608
Vehicles and distribution equipment	2,602,487	2,633,127
Capital assets, Amortizable	32,294	32,294
	84,879,186	83,817,540
Less: Accumulated depreciation and amortization	40,865,293	38,881,666
	44,013,893	44,935,874
Total noncurrent assets	45,229,671	46,149,642
OTHER ASSETS:		
CoBank investment (Note 12)	285,002	245,369
Organization costs	1,000	1,000
Net pension asset (Note 7)	86,606	66,324
Net OPEB asset (Note 8)	271,558	148,958
Total other assets	644,166	461,651
	57,338,054	56,257,710
DEFERRED OUTFLOWS OF RESOURCES:		
Pension (Note 7)	309,927	205,729
OPEB (Note 8)	25,136	116,445
Total deferred outflows of resources	335,063	322,174
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 57,673,117	$ 56,579,884

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

NORTHERN OHIO RURAL WATER

STATEMENTS OF NET POSITION

PROPRIETARY FUND TYPE

December 31, 2022 and 2021

LIABILITIES AND NET POSITION	2022	Restated 2021
CURRENT LIABILITIES:		
Accounts payable	$ 206,252	$ 266,246
Projects and retainage payable	844	841
Tenant deposits	71,050	75,050
Accrued expenses:		
Wages	63,073	50,222
Compensated absences	170,057	134,543
Payroll taxes	24,805	25,587
Interest	223,919	244,871
Undistributed monies - Custodial funds	67,379	65,444
Current portion of lease liability	6,368	6,058
Current portion of long-term debt	1,769,317	1,786,061
Total current liabilities	2,603,064	2,654,923
NONCURRENT LIABILITIES:		
Future tap installations	187,756	238,416
Lease liability	26,236	32,294
Net pension liability (Notes 5 and 7)	621,383	1,018,630
Notes payable (Note 5)	20,743,445	22,446,106
Bonds payable (Note 5)	3,841,200	3,924,600
	25,420,020	27,660,046
Less: Current portion		
Lease liability	6,368	6,058
Long-term debt	1,769,317	1,786,061
Total noncurrent liabilities	23,644,335	25,867,927
	26,247,399	28,522,850
DEFERRED INFLOWS OF RESOURCES:		
Pension	787,387	465,115
OPEB	280,574	455,127
Total deferred inflows of resources	1,067,961	920,242
NET POSITION:		
Net investment in capital assets	19,429,248	18,565,168
Restricted	1,431,263	1,423,146
Unrestricted	9,497,246	7,148,478
Total net position	30,357,757	27,136,792
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 57,673,117	$ 56,579,884

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

NORTHERN OHIO RURAL WATER

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND TYPE

For the Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUE:		
Water sales	$ 9,742,569	$ 8,844,722
Tap fees	463,422	564,709
Total operating revenue	10,205,991	9,409,431
OPERATING EXPENSES:		
Advertising	2,704	5,017
Audit fees	15,662	15,662
Communication equipment	44,694	38,076
Depreciation and amortization	2,181,007	2,171,588
Distribution supplies	183,806	146,052
Dues and subscriptions	12,056	10,304
Electric pump station and tanks	195,116	198,087
Engineering fees	6,566	660
Fuel	94,176	77,306
Insurance	364,484	363,371
Legal and professional fees	168,786	145,462
Licenses and permits	26,964	29,205
Maintenance and repairs	134,046	112,041
Office equipment lease	1,920	24,227
Office supplies and expense	58,546	61,162
Payroll taxes	29,251	26,946
O.P.E.R.S.	122,346	0
O.P.E.R.S. - Pension (Note 7)	(54,030)	199,548
O.P.E.R.S. - OPEB (Note 8)	(196,677)	(822,341)
Postage	67,576	59,929
Tap fee refunds	6,375	6,200
Telephone and utilities	42,974	42,186
Travel, mileage, and education expense	62,757	42,186
Wages	1,258,776	1,247,576
Water purchased	1,458,586	1,528,352
Total operating expenses	6,288,467	5,728,802
INCOME FROM OPERATIONS	3,917,524	3,680,629

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

NORTHERN OHIO RURAL WATER

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND TYPE

For the Years Ended December 31, 2022 and 2021

	2022	2021
NONOPERATING REVENUE:		
Credit card fees	(2,109)	(2,381)
Discounts earned	5,160	8,469
EPA income	18,168	18,599
Interest income	16,654	11,503
Line maintenance reimbursements	20,191	7,584
Miscellaneous	148,073	153,998
Reconnection fees	26,900	28,915
Insurance billing service fees	22,500	23,453
Sewer billing service fees	11,072	11,072
Gain on disposal of assets	33,600	38,864
Total nonoperating revenue	300,209	300,076
Income from operations and nonoperating revenue	4,217,733	3,980,705
NONOPERATING EXPENSES:		
Uncollectible accounts expense	1,033	0
EPA expense	19,067	19,067
Interest expense	976,668	1,042,861
Total nonoperating expenses	996,768	1,061,928
CHANGE IN NET POSITION	3,220,965	2,918,777
NET POSITION - Beginning of period	27,136,792	23,541,204
Restatement of net Position (Note 16)	0	676,811
NET POSITION - End of period	$ 30,357,757	$ 27,136,792

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

NORTHERN OHIO RURAL WATER

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND TYPE

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 10,103,267	$ 9,547,464
Cash received from custodial accounts	426,155	384,018
Cash payments for custodial accounts	(424,748)	(383,267)
Cash payments to suppliers for goods and services	(2,709,791)	(2,655,827)
Cash payments to employees and professional contractors for services	(1,814,275)	(1,772,731)
Net cash provided by operating activities	5,580,608	5,119,657
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Proceeds from developer, hydrant maintenance, and reconnection fees	26,900	28,915
Proceeds from discounts earned, EPA and tower income	23,328	27,068
Proceeds from line maintenance reimbursements	20,191	7,584
Proceeds from sales of assets	33,600	38,864
Other nonoperating revenue	161,502	167,075
Net cash provided by non-capital activities	265,521	269,506
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of equipment and new construction	(1,309,684)	(1,141,352)
Purchase of investment	(39,633)	(41,728)
Lease liability	(11,445)	32,294
Repayment of principal on long-term debt	(1,786,061)	(1,702,027)
Interest paid on debt	(997,620)	(1,063,653)
Net cash used in capital and related financing activities	(4,144,443)	(3,916,466)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest earned	16,654	11,503
INCREASE IN CASH AND CASH EQUIVALENTS	1,718,340	1,484,200
CASH AND CASH EQUIVALENTS - Beginning of period	9,212,112	7,727,912
CASH AND CASH EQUIVALENTS - End of period	$ 10,930,452	$ 9,212,112

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

NORTHERN OHIO RURAL WATER

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND TYPE

For the Years Ended December 31, 2022 and 2021

	2022	2021
PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$ 3,917,525	$ 3,680,629
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,181,007	2,171,588
Custodial activities	1,407	751
Changes in assets, deferred outflow of resources, and liabilities:		
(Increase) decrease in:		
Receivables	(102,725)	138,023
Inventory	2,901	(30,980)
Prepaid expenses	268	305
Deferred outflows of resources - Pension	(104,198)	47,528
Deferred outflows of resources - OPEB	91,309	32,834
Net pension asset	(20,282)	(26,116)
Net OPEB asset	(122,600)	(148,958)
Increase (decrease) in:		
Accounts payable	(59,994)	55,226
Tenant deposits	(4,000)	(17,200)
Accrued expenses	47,583	23,584
Undistributed monies - Custodial funds	1,935	2,849
Deferred inflows of resources - Pension	322,272	189,217
Deferred inflows of resources - OPEB	(174,553)	403,211
Net pension liability	(397,247)	(293,416)
Net OPEB liability	0	(1,109,428)
Net cash provided by operating activities	$ 5,580,608	$ 5,119,647

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

NORTHERN OHIO RURAL WATER

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Note 1. Description of Entity:

Northern Ohio Rural Water, formerly known as Erie Huron County Rural Water Authority, a regional water District, is a political subdivision of the State of Ohio. The District was incorporated for the purpose of providing a water supply for domestic, industrial, and public use to users within and without 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 water district.

Note 2. Summary of Significant Accounting Policies:

A. Basis of Presentation and Accounting:

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.

Northern Ohio Rural Water prepares its financial statements on a full accrual basis, economic resource measurement focus. By virtue of its by-laws, the District is required to make appropriations in accordance with budgetary policies.

The District uses funds to maintain its financial records during the year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water and taps. Operating expenses include the cost of the water and taps, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund reporting focuses on changes in net position, financial position, and cash flows. The District's proprietary fund is classified as an enterprise fund. This fund accounts for all operations that are financed and operated in a manner similar to private business enterprises where the intent is the costs of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges.

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

A. Basis of Presentation and Accounting (Continued):

Fiduciary fund reporting focuses on net position and changes in net position. The District's fiduciary fund accounts were reclassified to proprietary fund accounts under GASB 84. The fund accounts for sewer service fees collected on behalf of the Village of New Washington and water loss and line repairs and replacement insurance fees collected on behalf of Sunbelt Insurance Group. The District's fiduciary fund accounts are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. 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 General Manager. 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 of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed $50,000, 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 appropriation of funds and may also transfer any part of a balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient.

C. Recent Accounting Pronouncement

In June 2020, the Governmental Accounting Standards Board (GASB) issued Accounting Standards No. 87, *Leases*. This AS requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee is a single model approach, meaning a distinction between operating and capital leases no longer exists. GASB No. 87 also requires additional disclosure on the amount, timing and uncertainty of cash flows arising from leases. The District adopted GASB No. 87 on January 1, 2022, using a modified retrospective approach. The District also elected the right of use assets and an increase in other current and noncurrent liabilities to record lease package of practical expedients permitted under the new standard that allowed the District

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

C. Recent Accounting Pronouncement (Continued):

to carry forward historical lease classification. The impact of adoption on the statement of net position was an increase on January 1, 2022 in property, plant and equipment to record right of use assets, net of approximately $31,218 and an increase in other current and noncurrent liabilities to record lease obligations for current finance lease of approximately $32,294 representing the present value of remaining lease payments for finance leases and a change in net position of $1,076. The impact of adopting GASB 87 was not material to total statement of net financial position.

D. Inventory:

Inventory, which consists of raw materials, is stated using the dollar cost average method of accounting. The costs of inventories are recorded as expenditures when used rather than purchased.

E. Capital Assets:

The minimum capitalization threshold is any individual item with a total cost of greater than $1,000 and a useful life of more than one year. Capital assets, including major renewals or betterments, are reported at historical cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. Expenditures for major renewals, betterments, adaptations, or restorations that extend the useful lives of property and equipment are capitalized.

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

E. Capital Assets:

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

Water Lines and Water Tanks	40 Years
Tap Installations	40 Years
Pump Stations	20 Years
Buildings	40 Years
Meter Retro-Fits	15 Years
Water Meters	15 Years
Right of Use Assets	Life of lease
Machinery, Equipment, and Office Furniture	3-10 Years

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

Expenditures for maintenance and repairs are charged to expense as incurred.

F. Prepaid Expenses:

Prepaid expenses, which include insurance and postage, reflect costs applicable to future accounting periods.

G. Leases:

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

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

G. Leases (Continued):

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

Some of the District's leases may include one or more options to renew, with renewals that can extend the lease beyond three years. The exercise of the lease renewal options is at the District's sole discretion. In general, the District does not consider renewal options to be reasonably likely to be exercised, therefore renewal options are generally not recognized as part of right-of use assets and lease liabilities.

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

H. Tap Fees:

To receive service, customers are required to pay a tap fee which 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.

I. Compensated Absences Payable:

Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. After one year of service, employees are entitled to all accrued vacation leave upon termination.

Sick leave accumulates to employees at a rate of 4.6 hours for every 80 hours of service completed up to specified maximums. An employee shall be allowed to accumulate unlimited days of sick leave. Upon retirement, employees are entitled to a maximum of 500 hours of their accumulated sick leave balance. In the event of the employee's death, 100% of their accumulated sick leave balance would be paid to the employee's life insurance beneficiary. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses or death, a liability for unused sick leave is not recorded in the financial statements. The recorded accrued unused vacation for the year ended December 31, 2022 and 2021 is $170,057 and $134,543, respectively. The unrecorded estimated unused sick leave for the year ended December 31, 2022 and 2021 was $494,860 and $385,507, respectively.

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

J. Statements of Cash Flows – Proprietary Fund Type:

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. The Statements of Cash Flows includes additions and deductions to the custodial fund accounts.

K. Use of Estimates:

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

L. Receivables - Trade:

The District considers accounts receivable to be collectible with an allowance for doubtful accounts of 1.5% on new billings for the final month of the quarter based on past experience.

M. Net Position:

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. 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 pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 7 and 8.

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

N. Deferred Outflows/Inflows of Resources (Continued):

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 Notes 7 and 8).

O. Pensions/Other Postemployment Benefits (OPEB):

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources 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 positon 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.

Note 3. Equity in Pooled Cash and Investments:

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

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

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

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

Note 3. Equity in Pooled Cash and Investments (Continued):

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the General Manager, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2022 and 2021, the carrying amount of all District deposits was $10,930,452 and $9,212,112, respectively. Based on the criteria described in GASB statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2022 and 2021, none of the District's bank balance of $11,040,079 and $9,326,369, respectively, was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Note 4. Capital Assets:

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

	Restated Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Capital assets, nondepreciable:				
Land	$ 533,342	$ -	$ -	$ 533,342
Easements	420,343	5,540	-	425,883
Current construction	723,879	155,227	-	879,106
Capital assets, depreciable:				
Buildings	2,340,650	-	-	2,340,650
Tanks, stations, lines, meters, and taps	76,555,297	931,519	-	77,486,816
Furniture and fixtures	578,608		-	578,608
Vehicles and distribution equipment	2,633,127	166,740	(197,380)	2,602,487
Capital assets, amortizable	32,294	-	-	32,294
Total	83,817,540	1,259,026	(197,380)	84,879,186
Less accumulated depreciation and amortization				
Buildings	(496,750)	(58,516)	-	(555,266
Tanks, stations, lines, meters, and taps	(36,040,348)	(1,866,844)	-	(37,907,192
Furniture and fixtures	(496,090)	(31,869)	-	(527,959
Vehicles and distribution equipment	(1,848,478)	(223,778)	197,380	(1,874,876
Total accumulated depreciation and and amortization	(38,881,666)	(2,181,007)	197,380	(40,865,293
Net capital assets	$ 44,935,874	$ (921,981)	$ -	$ 44,013,893

Depreciation and amortization expense for the year ended December 31, 2022 and 2021 was $2,181,007 and $2,171,588, respectively. Current construction at December 31, 2022 and 2021 included capitalized construction period interest of $-0- and $-0- that was incurred in each respective year. Total interest cost incurred was $976,668 and $1,042,861 at December 31, 2022 and 2021, respectively.

Note 4. Capital Assets (Continued):

The District has classified intangible right of use asset to Capital assets, amortizable at December 31, 2021, in accordance with GASB Statement No. 87. See Note 9.

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

	Balance December 31, 2020	Additions	Deletions	Restated Balance December 31, 2021
Capital assets, nondepreciable:				
Land	$ 533,342	$ -	$ -	$ 533,342
Easements	410,551	9,792	-	420,343
Current construction	439,081	411,852	(127,054)	723,879
Capital assets, depreciable:				
Buildings	2,340,650	-	-	2,340,650
Tanks, stations, lines, meters, and taps	75,957,060	598,237	-	76,555,297
Furniture and fixtures	547,807	30,801	-	578,608
Vehicles and distribution equipment	2,490,688	218,605	(76,166)	2,633,127
Capital assets, amortizable	-	32,294	-	32,294
Total	82,719,179	1,301,581	(203,220)	83,817,540
Less accumulated depreciation and amortization				
Buildings	(438,234)	(58,516)	-	(496,750)
Tanks, stations, lines, meters, and taps	(34,160,421)	(1,879,927)	-	(36,040,348)
Furniture and fixtures	(467,692)	(28,398)	-	(496,090)
Vehicles and distribution equipment	(1,718,820)	(205,824)	76,166	(1,848,478)
Total accumulated depreciation and amortization	(36,785,167)	(2,172,665)	76,166	(38,881,666)
Net capital assets	$ 45,934,012	$ (871,084)	$ (127,054)	$ 44,935,874

NORTHERN OHIO RURAL WATER

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Note 5. Long-Term Obligations:

The full faith credit and resources of the District have been irrevocably pledged to collateralize all of the revenue bonds and notes payable. A summary of long-term obligations for the year ended December 31, 2022, is as follows:

Description	Restated Balance December 31, 2021	Borrowed	Repaid	Balance December 31, 2022	Due Within One Year
Northern Ohio Rural Water borrowed a total of $34,946,338 from the Ohio Water Development Authority from January 1, 1992 through December 31, 2014 for the Fitchville, Crystal Rock, Green Creek, Baumhart Road, Lime and Ridgefield Township line expansions, tank rehabilitation, garage construction, and membrane pilot study. These notes are being paid in semi-annual installments due on January 1st and July 1st, including interest at rates from 2.99% to 7.66%. The maturity dates range from July 1, 2016 through January 1, 2043.	$ 9,735,104	$ -0-	$1,034,226	$ 8,700,878	$ 986,740
Water Resource Improvement Revenue Bonds, Series 2010 were issued through the United States Department of Agriculture (USDA) for the purpose of constructing various water resource projects. The total amount loaned is $4,567,000. The loan requires annual interest-only payments through 2012 at 3.25% with a maturity date of September 2050.	3,924,600	-0-	83,400	3,841,200	86,200
A promissory note with a total amount loaned of $2,200,000 is due to CoBank. The note requires monthly principal and interest payments at a fixed interest rate per annum with a minimum fixed period of 180 days that is quoted by CoBank with a maturity date of October 2033.	1,565,668	-0-	98,090	1,467,578	103,366
A promissory note with a total amount loaned of $13,800,000 is due to CoBank. The note requires monthly principal and interest payments at 3.85% with a maturity date of September 2036.	11,145,334	-0-	570,345	10,574,989	593,011
	$ 26,370,706	$ -0-	$ 1,786,061	$ 24,584,645	$ 1,769,317
A net pension liability (asset) in the amount of $1,018,630 was recorded based on NORW's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2021.	$ 1,018,630	$ -0-	$397,247	$ 621,383	$ -0-
A net OPEB liability (asset) in the amount of $-0- was recorded based on NORW's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2021.	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
A net lease liability in the amount of $26,236 was recorded per the requirements of GASB Statement no. 87, with the lease ending October 2026.	$ 32,294	$ -0-	$ 6,058	$ 26,236	$ 6,368

Note 5. Long-Term Obligations (Continued):

In accordance with GASB Statement No 87, the capital lease obligation reported at December 31, 2021 is reported as leases payable at January 1,2022.

The full faith credit and resources of the District have been irrevocably pledged to collateralize all of the revenue bonds and notes payable. A summary of long-term obligations for the year ended December 31, 2021, is as follows:

Description	Balance December 31, 2020	Borrowed	Repaid	Restated Balance December 31, 2021	Due Within One Year
Northern Ohio Rural Water borrowed a total of $34,946,338 from the Ohio Water Development Authority from January 1, 1992 through December 31, 2014 for the Fitchville, Crystal Rock, Green Creek, Baumhart Road, Lime and Ridgefield Township line expansions, tank rehabilitation, garage construction, and membrane pilot study. These notes are being paid in semi-annual installments due on January 1st and July 1st, including interest at rates from 2.99% to 7.66%. The maturity dates range from July 1, 2016 through January 1, 2043.	$ 10,714,602	$ -0-	$ 979,498	$ 9,735,104	$ 1,034,226
Water Resource Improvement Revenue Bonds, Series 2010 were issued through the United States Department of Agriculture (USDA) for the purpose of constructing various water resource projects. The total amount loaned is $4,567,000. The loan requires annual interest-only payments through 2012 at 3.25% with a maturity date of September 2050.	4,005,500	-0-	80,900	3,924,600	83,400
A promissory note with a total amount loaned of $2,200,000 is due to CoBank. The note requires monthly principal and interest payments at a fixed interest rate per annum with a minimum fixed period of 180 days that is quoted by CoBank with a maturity date of October 2033.	1,658,752	-0-	93,084	1,565,668	98,090
A promissory note with a total amount loaned of $13,800,000 is due to CoBank. The note requires monthly principal and interest payments at 3.85% with a maturity date of September 2036.	11,693,879	-0-	548,545	11,145,334	570,345
	$ 28,072,733	$ -0-	$ 1,702,027	$ 26,370,706	$ 1,786,061
A net pension liability (asset) in the amount of $1,018,630 was recorded based on NORW'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.	$ 1,312,406	$ -0-	$ 293,416	$ 1,018,630	$ -0-
A net OPEB liability (asset) in the amount of $-0- was recorded based on NORW'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.	$ 1,109,428	$ -0-	$1,109,428	$ -0-	$ -0-
A net lease liability in the amount of $32,294 was recorded per the requirements of GASB Statement no. 87, with the lease ending October 2026.	$ -0-	$ 32,294	$ -0-	$ 32,294	$ 6.,058

Note 5. Long-Term Obligations (Continued):

The annual debt service requirements to maturity, including principal and interest, for long-term obligations as of December 31, 2022, are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	$ 1,769,317	$ 924,756	$ 2,694,073
2024	1,751,337	854,168	2,605,505
2025	1,837,558	782,567	2,620,125
2026	1,927,134	708,788	2,635,922
2027	1,315,275	637,694	1,952,969
2028-2032	6,952,819	2,394,666	9,347,485
2033-2037	6,252,159	1,007,802	7,259,961
2038-2042	1,286,348	351,039	1,637,387
2043-2047	898,697	183,738	1,082,435
2048-2050	594,001	39,023	633,024
	$ 24,584,645	$ 7,884,241	$ 32,468,886

See Notes 7 and 8 for details on the Net Pension Liability (Asset) and the Net OPEB Liability (Asset), respectively.

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

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

Note 7. Defined Benefit Pension Plan:

Net Pension Liability (Asset):

The net pension liability (asset) reported on the statement of net position represents a liability (asset) 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 (asset) 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 (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 this estimate annually.

Ohio Revised Code limits the District's obligation for this liability (asset) 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 (asset) 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 (asset). Resulting adjustments to the net pension liability (asset) would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability (asset) 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 (asset) on the accrual basis of accounting.

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. While members (e.g., District employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Plan; therefore, the following disclosure focuses on the Traditional Pension Plan.

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

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

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

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

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

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

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

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

	State and Local
2020 and 2021 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2020 and 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 $183,697 and $175,342 for 2022 and 2021, respectively. Of this amount, $24,806 and $23,906 is reported as a payable for 2022 and 2021, respectively.

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

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

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

	Traditional OPERS	Combined OPERS
Proportionate Share of the Net Pension liability (asset)	$ 621,383	$ (86,606)
Proportion of the Net Pension		
Liability – Prior measurement date	0.006601%	0.0208330%
Liability – Current measurement date	0.007018%	0.0219810%
Change in proportion of net pension liability (asset)	0.000417%	0.0011480%
Pension Expense		
Traditional	$ (49,691)	
Combined		$ (4,339)
Total traditional and combined	$ (54,030)	

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

	Traditional OPERS	Combined OPERS
Proportionate Share of the Net Pension liability (asset)	$1,018,630	$ (66,324)
Proportion of the Net Pension Liability	0.006601%	0.0208330%
Pension Expense		
Traditional	$ 199,053	
Combined		$ 495
Total traditional and combined	$ 199,548	

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

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

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

	OPERS
Deferred Outflows of Resources	
Difference between expected and actual experience	$ 32,214
Change in assumptions	82,055
Changes in proportion and difference between District contributions and proportionate share of contributions	44,046
District contributions subsequent to the measurement date	151,612
Total deferred outflows of resources	$309,927

	OPERS
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 23,315
Net difference between projected and actual earnings on pension plan investments	757,679
Changes in proportion and difference between District contributions and proportionate share of contributions	6,393
Total deferred inflows of resources	$787,387

One hundred fifty-one thousand six hundred and twelve ($151,612) 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 (asset) 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:	
2023	$ (70,199)
2024	(253,901)
2025	(180,090)
2026	(122,130)
2027	(1,198)
Thereafter	(1,554)
	$(629,072)

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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	
Difference between expected and actual experience	$ 0
Change in assumptions	3,756
Changes in proportion and difference between District contributions and proportionate share of contributions	42,842
District contributions subsequent to the measurement date	159,131
Total deferred outflows of resources	$205,729

	OPERS
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 53,955
Net difference between projected and actual earnings on pension plan investments	405,975
Changes in proportion and difference between District contributions and proportionate share of contributions	5,185
Total deferred inflows of resources	$465,115

One hundred fifty-nine thousand one hundred thirty-one ($159,131) 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 (asset) 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:	
2022	$(141,474)
2023	(48,449)
2024	(167,484)
2025	(57,224)
2026	(1,404)
Thereafter	(2,482)
	$(418,517)

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3.0 percent simple through 2022, Then 2.05 percent simple	0.50 percent simple through 2021, then 2.15 percent simple
Investment Rate of Return	6.9 percent	7.2 percent
Actuarial Cost Method	individual entry age	individual entry age

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3 percent simple through 2021 then 0.50 simple to 3.0 simple through 2022 then 2.05 percent simple. In October 2021, the OPERS Board adopted a change in the investment rate of return assumptions reducing it from 7.2 percent to 6.9 percent. This 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 for both healthy and disabled retiree morality tables were determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

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. 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 weighing 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 15.34% for 2021.

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

Note 7. Defined Benefit Pension Plan (Continued):

Net Pension Liability (Asset) (Continued):

Actuarial Assumptions – OPERS (Continued)

For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78%
Real Estate	11.00	3.66%
Private Equity	12.00	7.43%
International Equities	23.00	4.88%
Other Investments	9.00	5.77%
Total	100.00%	4.21%

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

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

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's proportionate share of the net pension:			
Liability	$1,638,303	$621,383	$224,830
(Asset)	($64,624)	($86,606)	($103,750)

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB):

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability (asset) 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 is 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 is financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability (asset) 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 (asset) for the contractually-required OPEB contribution outstanding at the end of the year is included in payable (receivable) on the accrual basis of accounting.

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (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' CAFR referenced below for additional information.

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

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

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

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

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

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 and 2020, respectively. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 years 2022 and 2021. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 $9,167 and $8,616 for 2022 and 2021.

The total employer contribution rate stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Northern Ohio Rural Water used to fund health care were $9,167, $8,616, $-0-, $-0-, $-0-, and $10,171 for 2022, 2021, 2020, 2019, 2018, and 2017, respectively. The 2022 and 2021 payable to fund health care was and $-0- and $-0-.

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

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

The net OPEB liability (asset) and total OPEB liability (asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability (asset) 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:

	2022	2021
Proportion of the Net OPEB Liability (Asset):		
Current measurement date	0.008670%	0.008361%
Prior measurement date	0.008361%	0.008032%
Change in proportionate share	0.000309%	0.000329%
Proportionate share of the net OPEB liability (asset)	$(271,558)	$(148,958)
OPEB expense	$(196,677)	$(822,341)

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

	2022 OPEB	2021 OPEB
Deferred Outflows of Resources		
Difference between expected and actual experience	$ 0	$ 0
Change of assumptions	0	73,229
Net difference between projected and actual earnings on OPEB plan investments	0	0
Employer contributions subsequent to the measurement date	9,167	8,616
Changes in proportion and differences between District contributions and proportionate share of contributions	15,969	34,600
Total deferred outflows of resources	$ 25,136	$ 116,445
Deferred Inflows of Resources		
Difference between expected and actual experience	$41,191	$134,434
Net difference between projected and actual earnings on OPEB plan investments	129,460	79,337
Changes in assumptions	109,923	241,356
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0
Total deferred inflows of resources	$280,574	$455,127

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

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

Nine thousand one hundred sixty-seven ($9,167) 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 (asset) 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:

	2022 OPEB	2021 OPEB
Year Ending December 31:		
2022	$ 0	$(175,560)
2023	(159,339)	(127,913)
2024	(58,388)	(34,477)
2025	(28,286)	(9,348)
2026	(18,592)	0
	$(264,605)	$(347,298)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021.

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

Actuarial Assumptions – OPERS (Continued)

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:

	December 31, 2021	December 31, 2020
Wage inflation	2.75 percent	3.25 percent
Projected salary increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	6.00 percent	6.00 percent
Prior measurement date	6.00 percent	3.16 percent
Investment rate of return	6.00 percent	6.00 percent
Municipal Bond Rate		
Current measurement date	1.84 percent	2.00 percent
Prior measurement date	2.00 percent	2.75 percent
Health Care Cost Trend Rate		
Current measurement date	5.50 percent, initial 3.50 percent, ultimate in 2034	8.50 percent, initial 3.50 percent, ultimate in 2035
Prior measurement date	8.50 percent initial 3.50 percent, ultimate in 2035	10.50 percent, initial 3.50 percent, ultimate in 2030
Actuarial cost method	Individual Entry Age	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 6.50 percent to 6.00 percent. This 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.

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

Actuarial Assumptions – OPERS (Continued)

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. 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. 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. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was 14.34% for 2021.

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

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

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

Actuarial Assumptions – OPERS (Continued)

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. 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 liability (asset)	$(159,701)	$(271,558)	$(364,400)

Note 8. Defined Benefit Other Post-Employment Benefits (OPEB) (Continued):

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.00 percent lower or 1.00 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption with changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 5.50%. 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% 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 (asset)	$(274,492)	$(271,558)	$(268,076)

Changes between the Measurement Date and the Reporting Date During 2022, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2022. The effects of these changes are unknown.

Note 9. Leasing Arrangements:

The Authority has entered into lease agreements for the use of right of use equipment. Due to the implementation of GASB Statement No 87, the Authority will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases.

Note 9. Leasing Arrangements (Continued):

Finance lease right of use assets as of December 31, 2022 and 2021 are follows:

	2022	2021
Right of use assets:		
Capital assets, Net	$24,759	$31,218

The Authority has entered into a lease agreement for copying equipment with the following terms.

Company	Lease Commencement Date	Years	Lease End Date	Payment Method
Modern Office	2021	5	2026	Monthly

The following table presents the components of our lease expense and their classification in Statements of Revenue, Expenses, and Changes in Net Position or Statement of Income and Comprehensive Income for the year ended December 31, 2022 and 2021, respectively.

Component of Lease Expense	Classification	2022	2021
Operating lease expense	Lease expense	$ 0	$ 7,532
Short-term variable lease	Lease expense	1,920	16,695
Financing lease interest	Interest expense	1,447	0
Financing lease amortization	Depreciation and amortization	6,459	0
Total lease expense		**$ 9,826**	**$ 24,227**

The following is a schedule of future lease payments under lease agreements:

Year Ending December 31,	Principal	Interest	Total
2023	$ 6,368	$ 1,167	$ 7,535
2024	6,693	841	7,534
2025	7,036	499	7,535
2026	6,139	142	6,281
Total	$ 26,236	$ 2,649	$ 28,885

Note 10. Commitments:

A. Water Purchase Agreements:

The District's original and primary source of water has been the City of Elyria's water treatment plant located in northern Lorain County. On May 1, 2017, the District signed a 40-year water purchase agreement with the City of Elyria. The agreed upon rate is $1.125 per hundred cubic feet (HCF) for the first 26,700 HCF and $1.045 per HCF over 26,700 in a calendar month. Starting in January of 2020, the rates will increase 3% annually. The District has a minimum monthly purchase requirement of 42,780 HCF per month on an annual average.

In November 2016, the District signed a 40-year water purchase agreement with Erie County that went into effect in March 2017. The agreed upon rate is $1.55 per hundred cubic feet (CCF) with a minimum monthly purchase of 22,059 CCF on an annual average. The $1.55/CCF rate will remain in effect until January 2020 when the rate will increase $0.03/CCF for 2020 and increase the same amount for 2021. Starting in 2022, the rate cannot increase any more than the increase for other bulk users supplied by the county.

In April 2006, the District signed a 99-year water purchase agreement with the City of Lorain with automatic renewal periods of 25 years subject to termination upon written notification of one year prior to the commencement of each renewal period. The agreed upon rate is $1.02 per 1,000 gallons for the first five years of the contract and 50% of the City of Lorain’s in-City rate thereafter. The City of Lorain shall have available to the District 250,000 gallons per day with no minimum required purchase.

On March 21, 2002, the District signed a 40-year water purchase agreement with Rural Lorain County Water Authority. The agreed upon base rate is $2.16 per 1,000 gallons with a minimum daily purchase of 10,000 gallons and a maximum daily purchase of 100,000 gallons. Increases in costs of the water supply to Rural Lorain County Water Authority are passed on to the District.

In April 2018, the District signed a 30-year water purchase agreement with the Village of New London. The agreed upon rate is $2.20 per thousand gallons for first 100,000 gallons, $2.15 per thousand gallons for next 50,000 gallons, and $2.05 per thousand gallons for over 150,000 gallons per day with a maximum daily purchase not to exceed 200,000 gallons per day.

Note 10. Commitments (Continued):

A. Water Purchase Agreements (Continued):

On April 23, 2015, the District signed a 10-year water purchase agreement with the City of Willard with an automatic renewal period of 3 years subject to termination upon written notification of 120 days prior to the expiration of the initial term of an intent to terminate. The agreed upon rate is $2.06 per thousand gallons with a minimum daily purchase of 150,000 gallons and a maximum daily purchase of 1,000,000 gallons.

B. Water Supply Agreements:

On January 18, 1996, the District entered into a 25-year agreement with the Village of Wakeman to provide water at a monthly bulk rate. The agreed upon rate is $2.60 per thousand gallons with a minimum daily purchase of 50,000 gallons and a maximum daily purchase of 250,000 gallons. As of the reporting date of this financial statement, the District currently has a month-to-month agreement with the Village of Wakeman and is in the process of renegotiating the contract.

In June 2006, the District entered into a 40-year agreement with Erie County to provide water at a monthly bulk rate. The agreed upon rate per hundred cubic feet is $1.53 and will increase proportionately to the increases in Erie County's water purchase rates.

On April 8, 2009, the District entered into a 40-year agreement with the City of Norwalk to provide water. The agreed upon rate per thousand gallons is 20% higher than the lowest rate the District purchases water from its water providers for the distribution area that includes the connection point for the City of Norwalk, with a minimum daily purchase of 150,000 gallons and a maximum daily purchase of 500,000 gallons.

C. Tower Income:

The District has a month-to-month lease agreement for renting its antenna space with WaveLinc Communications for $140 per month.

D. Sewer Billing Service Agreement:

On January 30, 2011, the District entered into an agreement with the Village of New Washington to provide billing services for sewer, storm sewer, and capital improvement charges by the Village.

Note 10. Commitments (Continued):

E. Land License Agreement:

The District has a month-to-month lease agreement to lease land to Linkster Management, Ltd. for $100 per month.

F. Water Line/Leak Insurance Agreement:

On December 1, 2015, the District entered into an agreement with Sunbelt Insurance to offer NORW's customers insurance for protection from excess charges resulting from water leaks and to cover costs of repairs and replacement of water lines.

G. Rapid Response Agreement:

On January 30, 2011, the District entered into an agreement with the GeoDecisions' Rapid Response System to provide mass notification of NORW's customers in the event of an emergency or other high priority situation.

Note 11. Restricted Funds:

A. Bond and Loan Payment Funds:

These funds were created and will be maintained in the custody of the Issuer as cash funds and shall be used for the payment of principal and interest on the USDA bonds and CoBank loans when due. The District is required by the bond agreement to make monthly payments to the fund of at least one-twelfth (1/12) of the amount due and payable with respect to the bonds on the next succeeding December 1st. The District is not required by the loan agreements to make weekly payments to the fund that the District makes at its own discretion.

B. Water System Debt Service Reserve Fund:

This fund was created in January 2004 and will be maintained in the custody of the Issuer as a cash fund and shall be used for the purpose of paying the cost of repairing or replacing any damage to the system which may be caused by an unforeseen catastrophe, and when necessary for the purpose of making payments of principal and interest on the bonds when due if the amount in the Bond Payment Fund is not sufficient to meet such payments. The District is required by the bond agreement to make monthly deposits equal to $1,759 until there is $211,096 accumulated in the fund, after which no further payments need to be made to the fund except to replace withdrawals there from, and required by loan agreements to maintain a fund in the amount of $120,000 and another fund in the amount of $850,000.

Note 11. Restricted Funds (Continued):

C. Restricted Cash (Continued):

	2022	2021
Bond Payment Fund	$ 215,485	$ 209,378
Water System Debt Service Reserve Fund	1,215,778	1,213,768
	$1,431,263	$1,423,146

Note 12. CoBank Investment:

The District has an equity patronage investment with CoBank based on the District's average outstanding loan balance with the bank during the year. The District's average outstanding CoBank loan balance during the year is multiplied by 1% with 75% of the 1% patronage paid to the District in cash and 25% kept in an equity account at the bank until the loan is paid off.

Note 13. Note Payable – Line of Credit:

At December 31, 2022 the District had a revolving line of credit with CoBank with a balance of $0 with $1,000,000 unused. The note carries a variable rate of interest at Daily SOFR (Secured Overnight Financing Rate) plus 2%. Interest is payable monthly with the outstanding principal due on August 31, 2022.

Note 14. Subsequent Events:

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date of this report.

Note 15. Change in Accounting Principle:

For 2022 and 2021, the District has made changes to its Statements of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Type. These changes include presenting operating expenses at a more detailed level.

Note 16. Change in Accounting Priniciple and Restatement of Net Position:

For 2022, the District implemented the Governmental Accounting Standard Board (GASB) Statement No. 87 *Leases* and changed accounting principle to more accurately reflect the District net position by including the unbilled receivables.

Unbilled account receivables are considered revenue that is unconditionally due. An invoice for the revenue is produced at a later date. The statements of revenues, expenses, and changes in net position for 2021 has not been restated. The impact of change on the statement of net position was an increase on December 31, 2021 in receivables to record unbilled accounts receivable in the amount $677,887 and a change in net position of $677,887.

In June 2020, the Governmental Accounting Standards Board (GASB) issued Accounting Standards No. 87, *Leases*. This AS requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The impact of adoption on the statement of net position was an increase on December 31, 2021 in property, plant and equipment to record right-of use assets, net of approximately $31,218 and an increase in other current and noncurrent liabilities to record lease obligations for current finance lease of approximately $32,294 representing the present value of remaining lease payments for finance leases and a change in net position of $(1,076). The impact of adopting GASB 87 was not material to total statement of net financial position.

The implementation of these pronoucement and changes in accounting principle had the following effect on net position as reported on December 31, 2021.

Net position December 31, 2021	$ 26,459,981
Adjustments:	
Net right of use asset/liability	(1,076)
Unbilled receivable	677,887
Restated Net Position December 31, 2021	$ 27,136,792

NORTHERN OHIO RURAL WATER

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Nine Years (*)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.007018%	0.006601%	0.006638%	0.006441%	0.005740%	0.005729%	0.005907%	0.005767%	0.005767%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 621,383	$ 1,018,630	$ 1,312,046	$ 1,695,589	$ 1,238,541	$ 1,187,465	$ 1,213,519	$ 783,814	$ 679,854
District's Covered-Employee Payroll	$ 1,036,439	$ 1,172,736	$ 1,215,171	$ 1,136,486	$ 1,017,115	$ 1,605,708	$ 1,472,808	$ 1,538,808	$ 1,474,392
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	59.95%	86.86%	107.97%	149.20%	121.77%	73.95%	82.39%	50.94%	46.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	93.01%	87.21%	82.17%	74.70%	84.66%	77.25%	81.19%	86.54%	86.36%

*Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.
See notes to required supplemental information

NORTHERN OHIO RURAL WATER

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Ten Years (*)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 136,727	$ 145,101	$ 177,037	$ 170,124	$ 159,108	$ 132,225	$ 192,685	$ 176,737	$ 184,657	$ 191,671
Contributions in Relation to the Contractually Required Contribution	(136,727)	(145,101)	(177,037)	(170,124)	(159,108)	(132,225)	(192,685)	(176,737)	(184,657)	(191,671)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 976,619	$ 1,036,439	$ 1,172,736	$ 1,215,171	$ 1,136,486	$ 1,017,115	$ 1,605,708	$ 1,472,808	$ 1,538,808	$ 1,474,392
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

*Information prior to 2013 is not available.

See notes to required supplemental information

NORTHERN OHIO RURAL WATER

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension (Asset)
Ohio Public Employees Retirement System - Combined Plan

Last Two Years (*)

	2022	2021
District's Proportion of the Net Pension Liability (Asset)	0.021981%	0.020833%
District's Proportionate Share of the Net Pension Liability (Asset)	$ (86,606)	$ (66,324)
District's Covered-Employee Payroll	$ 100,211	$ 91,814
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	-86.42%	-72.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	169.88%	157.67%

*Information prior to 2021 is not available.

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

See notes to required supplemental information

NORTHERN OHIO RURAL WATER

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District Pension Contributions
Ohio Public Employees Retirement System - Combined Plan

Last Two Years (*)

	2022	2021
Contractually Required Contribution	$ 14,885	$ 14,030
Contributions in Relation to the Contractually Required Contribution	(14,885)	(14,030)
Contribution Deficiency (Excess)	$ 0	$ 0
District Covered-Employee Payroll	$ 106,324	$ 100,211
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%

*Information prior to 2021 is not available.

See notes to required supplemental information

NORTHERN OHIO RURAL WATER

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Six Years (*)

	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.008670%	0.008361%	0.008032%	0.007835%	0.007180%	0.007189%
District's Proportionate Share of the Net OPEB Liability (Asset)	$ (271,558)	$ (148,958)	$ 1,109,428	$ 1,021,499	$ 779,695	$ 773,180
District's Covered-Employee Payroll	$ 1,136,650	$ 1,264,550	$ 1,215,171	$ 1,136,486	$ 1,017,115	$ 1,605,708
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	(23.89)%	(11.78)%	91.30%	89.88%	76.66%	48.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	128.23%	115.57%	47.80%	46.33%	54.14%	54.04%

*Information prior to 2017 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.
See notes to required supplemental information

NORTHERN OHIO RURAL WATER

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District OPEB Contributions
Ohio Public Employees Retirement System

Last Seven Years (*)

	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 9,167	$ 8,616	$ 0	$ 0	$ 0	$ 10,171	$ 23,731
Contributions in Relation to the Contractually Required Contribution	(9,167)	(8,616)	0	0	0	(10,171)	(23,731)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
District Covered-Employee Payroll	$ 1,082,943	$ 1,136,650	$ 1,264,550	$ 1,215,171	$ 1,136,486	$ 1,017,115	$ 1,605,708
Contributions as a Percentage of Covered-Employee Payroll	0.85%	0.76%	0.00%	0.00%	0.00%	1.00%	1.48%

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.

See notes to required supplemental information

NORTHERN OHIO RURAL WATER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2022 and 2021

Changes in Assumptions – OPERS OPEB Pension

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

	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:

2022	3.0 percent simple through 2021, then 2.05 percent simple
2021	0.50 percent simple through 2021, then 2.15 percent simple
2020	1.40 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3.00 percent simple through 2019, then 2.15 percent simple

Amounts reported beginning in 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 OPEB 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	
2022	1.84 Percent
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	
2022	5.50 Percent Initial 3.50 Percent Ultimate in 2034
2021	8.00 Percent Initial 3.50 Percent Ultimate in 2035
2020	10.00 Percent Initial 3.50 Percent Ultimate in 2030
2019	10.00 Percent Initial 3.25 Percent Ultimate in 2029
2018	7.50 Percent Initial 3.25 Percent Ultimate in 2028

Changes in Benefit Terms - OPERS OPEB

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

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

Northern Ohio Rural Water
Huron County
P.O. Box 96
Collins, Ohio 44826-0096

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 *(Government Auditing Standards)*, the financial statements of Northern Ohio Rural Water, Huron County, Ohio, (the District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 14, 2023, wherein we noted the District restated its December 31, 2021 net position to more appropriately reflect unbilled receivables at December 31.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 financial statements. 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*.

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.

Keith Faber
Auditor of State
Columbus, Ohio

June 14, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2021-001	Material weakness for errors in financial reporting.	Fully corrected.	

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OHIO AUDITOR OF STATE
KEITH FABER

NORTHERN OHIO RURAL WATER

HURON 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 6/27/2023

88 East Broad Street, Columbus, Ohio 43215
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