



**SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2021-2020**

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Scioto County Regional Water District #1
PO Box 310
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of the Scioto County Regional Water District #1, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2020 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Scioto County Regional Water District #1 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2023

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SCIOTO COUNTY**

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SCIOTO COUNTY**

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INDEPENDENT AUDITOR’S REPORT

Scioto County Regional Water District #1
Scioto County
PO Box 310
Lucasville, OH 45648

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Scioto County Regional Water District #1, Scioto County, Ohio (the District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District’s 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 the Scioto County Regional Water District #1, Scioto County, Ohio as of December 31, 2021 and 2020, and the changes in financial position **and its cash flows** for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

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.

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Responsibilities of Management for the Financial Statements (Continued)

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 the financial audit standards in the Comptroller General of the United States' *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 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 February 27, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

February 27, 2023

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Our discussion and analysis of the Scioto County Regional Water District #1 financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements and notes to those statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the District. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net position section is displayed in three categories: 1) Net Investment in Capital Assets 2) Restricted, and 3) Unrestricted.
2. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.
3. The *Statement of Cash Flows* includes a summary of the cash flows from operations, capital and related financing and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets, liabilities, deferred outflows and deferred inflows with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenue, Expenses and Changes in Net Position* presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
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Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revised accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

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

the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Financial Highlights

During the year ending December 31, 2021, the District's operating revenues were \$4,915,115. Operating expenses were \$3,043,799 resulting in \$1,871,316 gain from operations. The District instituted a rate increase in 2021 which provided additional revenue for the year with an increase of \$434,253 in operating revenue over the previous year.

During 2021, the sale of bulk water was a significant source of revenue totaling \$956,770. This was a increase from the previous year with some of the increase related to rate increases. We continue to be a back-up source for Southern Ohio Correctional Facility, however during 2021 they used our services minimally.

Several projects in the plant and distribution departments were completed in 2021. Plant projects included refurbishing #7 Well, installing the Upper Wellfield generator wire, and purchasing new CL2 leak detector, inline CL2 meter, and chlorine scales for the Plant. Distribution projects included 6" line replacement on Lucasville Minford Road, replacement pipe for Hutchinson Hollow, new Plant Interconnect, and installing a 8" water supply to the Minford Airport along with various other line replacement projects throughout the system.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

We are continuing the GIS Project and continue to develop and enhance its capabilities with the goal of having a hydrology model of our water system as well as documenting preventative maintenance on our infrastructure and assets. In 2020, we were able to secure additional land on Nesbitt Road to move both Haystack tanks to a more stable environment. Land clearing and preparation for the new tanks continued in 2021 with the expectation that the one of the Haystack tanks will be moved and the other will be replaced by a new tank at the Nesbitt Road site by Spring of 2022. This will relieve concerns regarding the slippage on the Haystack site.

Financial Analysis of the District

Net Position - The District's net position between fiscal years 2020 and 2021 increased from \$10,430,599 to \$12,398,049. This is an increase of \$1,967,450

**Table 1
Net Position**

Assets	2021	2020	Change
Total Current Assets	\$ 3,386,721	\$ 3,882,073	\$ (495,352)
Total Non-Current Assets	13,930,373	12,949,767	980,606
<i>Total Assets</i>	<u>17,317,094</u>	<u>16,831,840</u>	<u>485,254</u>
Deferred Outflows of Resources			
Deferred Hydrology	67,664	65,716	1,948
Deferred Pension Related	312,482	382,200	(69,718)
Deferred OPEB	134,843	250,565	(115,722)
<i>Total Deferred Outflows of Resources</i>	<u>514,989</u>	<u>698,481</u>	<u>(183,492)</u>
Liabilities			
Total Current Liabilities	431,348	563,430	(132,082)
Total Noncurrent Liabilities	3,553,143	5,679,610	(2,126,467)
<i>Total Liabilities</i>	<u>3,984,491</u>	<u>6,243,040</u>	<u>(2,258,549)</u>
Deferred Inflows of Resources			
Pension	809,073	528,633	280,440
OPEB	640,470	233,499	406,971
Net investment in capital assets	11,855,398	10,926,225	929,173
Restricted for:			-
Debt Service	262,087	259,959	2,128
Unrestricted (deficit)	280,564	(755,585)	1,036,149
Total Net Position (2020 Restated)	<u>\$ 12,398,049</u>	<u>\$ 10,430,599</u>	<u>\$ 1,967,450</u>

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Net position represents the difference between all other elements of the statement of financial position. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets.

Change in Net Position – The District's total revenue was \$4,935,934; total expenses had a decrease of \$1,622,615.

In fiscal year 2021, 99% of the District's operating revenues came from water and tap sales with \$956,770 coming from bulk customers. Water Tap Sales were \$40,300 resulting in a Change in Net Position of \$1,967,450. Overall, revenues and expenses remained stable. However, there were changes in GASB 68/75 entries which resulted in a significant increase in Net Position.

Table 2
Changes in Net Position

	2021	2020	Increase (Decrease)
Operating Revenues			
Water Sales	\$ 4,720,460	\$ 4,350,473	\$ 369,987
Water Tap Sales	40,300	41,525	(1,225)
Lab Test Fees	1,968	2,057	(89)
Miscellaneous	152,387	86,806	65,581
Non-Operating Revenues			
Gain/Loss on Sale of Asset	18,952	-	18,952
Interest Income	1,867	21,103	(19,236)
<i>Total Revenues</i>	<u>4,935,934</u>	<u>4,501,964</u>	<u>433,970</u>
Operating Expenses			
Supply and Treatment	992,814	1,642,768	(649,954)
Distribution	788,408	1,230,347	(441,939)
Administration, Billing, and Office	545,257	1,090,498	(545,241)
Board Expenses	14,070	14,514	(444)
Depreciation Expenses	703,249	684,170	19,079
Non-Operating Expenses			
Interest Expense	80,649	84,765	(4,117)
<i>Total Expenses</i>	<u>3,124,448</u>	<u>4,747,063</u>	<u>(1,622,615)</u>
Income Before Contributions	1,811,486	(245,099)	2,056,585
Total Capital Contributions	155,964	194,584	(38,620)
Change in Net Assets	1,967,450	(50,515)	2,017,965
Net Position Beginning of Year	10,430,599	10,575,664	(145,065)
Net Position End of Year	<u>\$ 12,398,049</u>	<u>\$ 10,525,149</u>	<u>\$ 1,872,900</u>

Capital Position

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

As of December 31, 2021, the District had invested over \$13.4 million in capital assets. This amount represents a net increase of \$770,259 over the prior year. Construction in Progress increased by \$295,425 as several projects were started in 2021. More detailed information about the District's Capital Position is presented in Note 4 to the basic financial statements.

Table 3
Capital Assets

	2021	2020
Land	\$ 1,410,797	\$ 1,401,647
Construction in Progress	1,321,635	1,026,210
Source of Supply	2,391,869	2,123,663
Water Treatment Plant	5,618,981	5,551,204
Distribution System	16,897,744	16,244,487
Transportation Equipment	1,071,127	959,698
Office Furniture & Equipment	518,596	507,665
Other Equipment	1,728,335	1,703,677
Less Accumulated Depreciation	(17,499,018)	(16,828,444)
	<u>\$ 13,460,067</u>	<u>\$ 12,689,808</u>

Budget Analysis

The District missed the budgeted revenue for 2021 by \$95,603. Total receipts collected were approximately \$5 million. The District's expenses were under the budgeted amount by approximately \$731,203. The District expenses for 2021 totaled with the depreciation and the GASB 68/75 pension expense was \$3,124,448.

Debt Administration

At December 31, 2021, the District had \$1,395,000 in bonds payable. The total OPWC debt is \$205,417. More detailed information about the District's long-term debt is presented in Note 5 to the Basic Financial Statements.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Economic Factors

The District's financial condition remains stable as upgrades and improvements to the system are completed. Additional money for capital improvement was obtained through a bond renewal in 2011, giving the district funds to complete/begin several important operational projects. Expansion of the Well Field continues and rehabilitation of old wells is currently in progress. A significant line extension project was completed on Lucasville Minford Road leading to a new tank site on Nesbitt Road. This will allow a new tank to be constructed at that site and movement of an existing tank will also be located there. Revenue in 2021 increased over 2020 with the new rate structure. The local economic conditions continue to challenge the district. However, the District experienced increased Tap Sales in 2021 which is a promising indicator. Economic Development has started at the Portsmouth Regional Airport in Minford with The District serving as the provider. The district has installed new lines and taps to serve this project. This should provide an additional source of industrial revenue once the buildings are complete.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Kathie Martin, Treasurer at Scioto County Regional Water District #1 located at 181 State Route 728, Lucasville Ohio 45648, (740) 259-2301.

Scioto County Regional Water District #1

Scioto County

Statement of Net Position

As of December 31, 2021

	Assets	<u>2021</u>
Current Assets		
Cash and Cash Equivalents		\$ 2,374,170
Accounts Receivable		762,641
Deposits		4,600
Inventories		228,590
Prepaid Expenses		16,720
Total Current Assets		<u>3,386,721</u>
Non-Current Assets		
Net OPEB Asset		208,219
Restricted Assets:		
Cash and Cash Equivalents		262,087
Capital Assets:		
Non-Depreciable Capital Assets		2,732,432
Depreciable Capital Assets, Net of Accum Depreciation		<u>10,727,635</u>
Total Capital Assets		13,460,067
Total Non-Current Assets		<u>13,930,373</u>
Total Assets		<u>\$ 17,317,094</u>
Deferred Outflows of Resources		
Deferred Hydrology		\$ 67,664
Deferred Pension Related		312,482
Deferred OPEB		134,843
Total Deferred Outflows of Resources		<u>\$ 514,989</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS		<u>\$ 17,832,083</u>

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Net Position (Continued)
As of December 31, 2021

	Liabilities	2021
Current Liabilities		
Accounts Payable		\$ 69,182
Accrued Wages		34,435
Employee Withholding Payable		5,258
Unset Water Taps Payable		20,500
Compensated Absences Payable		162,032
Customer Deposits		4,311
Current Bonds Payable		110,000
Current OPWC Payable		21,378
Current Capital Lease Payable		4,252
Total Current Liabilities		431,348
Noncurrent Liabilities		
Long Term Compensated Abs		220,233
Capital Lease Payable		5,637
OPWC Loan Payable		184,039
Net Pension Liability		1,858,234
Revenues Bonds Payable		1,285,000
Total Noncurrent Liabilities		3,553,143
Total Liabilities		\$ 3,984,491
Deferred Inflows of Resources		
Pension		\$ 809,073
OPEB		640,470
		\$ 1,449,543
Net Position		
Net investment in capital assets		\$ 11,849,761
Restricted for:		
Debt Service		262,087
Unrestricted (deficit)		286,201
Total Net Position		\$ 12,398,049
TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION		\$ 17,832,083

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ending December 31, 2021

	2021
Operating Revenues	
Water Sales	\$ 4,720,460
Water Tap Sales	40,300
Lab Test Fees	1,968
Miscellaneous	152,387
Total Operating Revenues	4,915,115
Operating Expenses	
Supply and Treatment	992,814
Distribution	788,408
Administration, Billing, and Office	545,257
Board Expenses	14,070
Depreciation Expenses	703,250
Total Operating Expenses	3,043,799
Operating Income	1,871,316
Non-Operating Revenues	
Gain/Loss on Sale of Asset	\$ 18,952
Interest Income	1,867
Interest Expense	(80,649)
Total Non-Operating Revenues/Expenses	(59,830)
Income Before Contributions	1,811,486
Capital Contributions	
Capital Contributions from Grant	155,964
Total Capital Contributions	155,964
Change in Net Assets	1,967,450
Net Position Beginning of Year	10,430,599
Net Position End of Year	\$ 12,398,049

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows
For the Year Ending December 31, 2021

	2021
Cash flows from Operating Activities:	
Receipts from Customers	\$ 4,859,528
Receipts from Others	31,187
Payments to Suppliers and Vendors	(2,760,851)
Payments to Employees	<u>(1,128,561)</u>
Net cash provided by operating activities	<u>1,001,303</u>
Cash Flows from Capital and Related Financing Activities:	
Principal on Bond	(105,000)
Interest on Bond	(80,649)
OPWC principal	(44,026)
Xerox principal	(4,252)
Proceeds from Grant funds	155,964
Proceeds from Sale of Capital Assets	18,952
Payments for Capital Acquisitions	<u>(1,471,560)</u>
Net cash used by capital and related financing activities	<u>(1,530,571)</u>
Cash Flows from Investing Activities:	
Interest earned	<u>1,867</u>
Net cash Provided by Investing Activities	<u>1,867</u>
Net increase/decrease in cash and cash equivalents	(527,401)
Cash and cash equivalents, January 1, 2021	<u>3,163,658</u>
Cash and cash equivalents, December 31, 2021	<u><u>\$ 2,636,257</u></u>

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows (Continued)
For the Year Ending December 31, 2021

Reconciliation of Operating Income to Net Cash Provided by	
Operating Income	\$ 1,871,316
Adjustments:	
Depreciation Expense	703,250
<i>Change in Assets</i>	
(Increase) Decrease in Accounts Receivable	(24,398)
(increase) Decrease Deposits	(700)
(Increase) Decrease Inventories	(8,215)
(Increase) Decrease in Prepaid Expenses	(864)
(Increase) Decrease Deferred Charges	(208,219)
(Increase) Decrease Deferred Hydrology	(1,948)
(Increase) Decrease Deferred Outflows of Resources - Pensions & OPEB	183,492
<i>Change in Liabilities</i>	
Increase (Decrease) in Accounts Payable	(162,837)
Increase (Decrease) in Accrued Wages	10,223
Increase (Decrease) in Employee Withholding Payable	3,723
Increase (Decrease) in Water Taps Payable	(1,500)
Increase (Decrease) in Compensated Absences Payable	51,216
Increase (Decrease) in Customer Deposits Payable	1,311
Increase (Decrease) in Pension Liability	(2,101,958)
Increase (Decrease) Deferred Inflows of Resources - Pensions & OPEB	687,411
Total Adjustments	<u>(870,013)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,001,303</u>

The notes to the basic financial statements are an integral part of this statement.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - DESCRIPTION OF THE ENTITY

The Scioto County Regional Water District #1 is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Scioto County in August of 1966. The Regional Water District Number One operates under the direction of a seven member board of trustees. An appointed staff consisting of a superintendent, a plant superintendent, a distribution superintendent, and an office manager are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all or parts of the following political subdivisions:

- Bloom Township
- Clay Township
- Harrison Township
- Jefferson Township
- Madison Township
- Porter Township
- Valley Township
- Vernon Township
- South Webster Village

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all fund, department, board, and agencies that are not legally separate from the District. For Scioto County Regional Water District #1 this includes general operations of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus and Basic of Accounting

The District's operations are financed and operated in a manner similar to a private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure Focus and Basic of Accounting (Continued)

net income is appropriate for capital maintenance, public policy management control, accountability or other purposes.

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The District's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

Capital Assets

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their acquisition value at the time received. Capital Assets are defined as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of three years. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation.

The estimated useful lives by major capital asset class are as follows:

Source of Supply	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Other Equipment	5 years
Distribution System & Lines	40 years
Furniture and Office Equipment	10 years

Inventory

The District maintains material inventory for its proprietary fund. Inventory is valued at cost and the District uses the first-in, first-out (FIFO) flow assumption in determining cost.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed uncollectible, they are expensed in the year in which that determination is made.

Restricted Assets

The District is required to keep an account in reserve that is equal to the year with the highest principal and interest total on the bond amortization schedule. This amount is \$262,087. The District is also required to maintain accounts for the principal and interest payments on the bond.

Compensated Absences

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the District as the benefits accrue to the employees. In accordance with the provisions of Governmental Accounting Standards Statement No.16, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy as available to those employees with ten years or more of service up to a maximum of 480 hours.

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. The Proprietary fund's interest in the pool is presented as "cash and cash equivalents" on the Statement of Net Position.

During 2021, the District invested in negotiable certificates of deposit, federal agency securities, mutual funds, and Star Ohio. Investments are reported at fair value which is based on quoted market price or current share price. Star Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The District measures the investment in Star Ohio at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. Star Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s) but only to the \$50 million limit. All accounts of the participant will be combined for this purpose.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restriction associated with each type of fund is as follows:

Proprietary Fund - The proprietary fund is used to account for the District's ongoing activities that are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Fund - This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Deferred Charges

Deferred charges are non-regularly recurring, non-capital costs of operations that benefit future periods. These costs include those incurred in connection with a Hydrology studies in the Well Field. These charges totaled \$67,664 and will be amortized annually for 10 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net 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, other post-employment benefits (OPEB) and deferred debt charges. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 9 and 10.

Prepaid Expenses

Prepaid Expenses are charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 2021 were \$16,720.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net position represents the differences in all other elements of the statement of financial position. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net position restricted for debt service consists of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the District. These revenues consist of certain sales and fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

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 can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

Cash on Hand - At year end, the District had \$400 in undeposited cash on hand which is included on the Statement of Net Position of the District as part of "cash and cash equivalents".

Deposits At year end, the carrying amount of the District's deposits and the bank balance was \$368,758. Of the bank balance at year end 2021, \$250,000 was covered by federal depository insurance. The remaining balances were covered by a 105% public depository pool, which was collateralized with securities held by the pledging institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments The District had the following investments at December 31, 2021:

	Carrying Amount	Fair Value/NAV
Star Ohio – Cash Equivalents	2,005,012	2,005,012
Reserve Bond Trust - Cash Equivalents	189,419	189,419
Reserve Bond Payment - Cash Equivalents	64,173	64,173
Reserve Bond Interest - Cash Equivalents	8,495	8,495
Total Investments	\$2,267,099	\$2,267,099

Star Ohio is measured at net asset value per share while all other investments are measured at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of December 31, 2021. All of the District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy requires that, to the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions.

The District's investment policy does not address any restriction on investments relating to interest rate, credit or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 4 – CAPITAL ASSETS

A summary of the District's capital assets as of December 31, 2021, are as follows:

	2020	Additions	Deletions	2021
Capital Assets, Not being Depreciated				
Land	\$ 1,401,647	\$ 9,150	-	\$ 1,410,797
Construction in Progress	1,026,210	1,359,494	(1,064,069)	1,321,635
Total Capital Assets, Not Being Depreciated	2,427,857	1,368,644	(1,064,069)	2,732,432
Capital Assets Being Depreciated				
Source of Supply	2,123,663	268,206	-	2,391,869
Water Treatment Plant	5,551,204	67,777	-	5,618,981
Distribution System	16,244,487	653,257	-	16,897,744
Transportation Equipment	959,698	247,245	(135,816)	1,071,127
Office Furniture & Equipment	507,665	10,931	-	518,596
Other Equipment	1,703,677	28,698	(4,040)	1,728,335
Total Capital Assets Being Depreciated	27,090,395	1,276,114	(139,856)	28,226,653
Less Accumulated Depreciation				
Source of Supply	(1,088,640)	(70,354)	-	(1,158,994)
Water Treatment Plant	(4,031,316)	(119,949)	-	(4,151,265)
Distribution System	(9,413,994)	(376,223)	-	(9,790,217)
Transportation Equipment	(710,003)	(52,628)	34,091	(728,540)
Office Furniture & Equipment	(281,920)	(26,814)	-	(308,734)
Other Equipment	(1,302,571)	(58,696)	-	(1,361,267)
Less Accumulated Depreciation	(16,828,444)	(704,665)	34,091	(17,499,018)
Total Capital Assets Being Depreciated, Net	10,261,951	571,450	(105,765)	10,727,635
Total Capital Assets, net	\$ 12,689,808	\$ 1,940,093	\$ (1,169,834)	\$ 13,460,067

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 5 - DEBT OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the District during 2021, follows:

	Amount Outstanding 12/31/20	Additions	Deletions	Amount Outstanding 12/31/21	Amounts Due in One Year
Water System Revenue Refunding & Improvement Bonds (2011)	\$1,500,000	\$ -	\$ 105,000	\$ 1,395,000	\$ 110,000
OPWC Loans 1999-2013 (0.00%)	249,443	-	44,026	205,417	21,378
Compensated Absences	331,049	51,216	-	382,265	162,032
Net Pension Liability	2,398,960	-	540,726	1,858,234	-
Net OPEB Liability	1,561,232	-	1,561,232	-	-
Total	\$6,040,684	\$51,216	\$2,250,984	\$3,840,916	\$293,410

The revenue refunding and improvement bonds are special obligations of the District, payable solely from the pledged revenues of its water system and the revenue fund created under the indenture. The bonds were issued to fund capital expenditures to improve the system at a rate of 2.00%-5.63%. Payments are made yearly.

The OPWC loans were issued for the purpose of financing the Fairgrounds Road waterline, Clarktown Water Tank, Number 5 Pump Station, Northwest Main Supply Line, and the new loan for Woods Ridge Stand Pipe projects. The Cross Country Water Line Project was paid in full in 2021. Revenue of the District has been pledged to repay this debt. Payments of \$10,689 with 0% interest are made semi-annually.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 5 - DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire the District's long-term obligations outstanding at December 31, 2021 are as follows:

Year Ending	Improvement Bonds		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 110,000	\$ 74,594	\$ 21,377	\$ -	\$ 131,378	\$ 74,594
2023	115,000	68,969	18,360	-	133,360	68,969
2024	120,000	62,719	18,360	-	138,360	62,719
2025	130,000	55,828	17,794	-	147,794	55,828
2026	135,000	48,515	17,228	-	152,228	48,516
2027-2031	785,000	116,859	67,388	-	852,388	116,859
2032-2036	-	-	23,638	-	23,638	-
2037-2041	-	-	21,272	-	21,274	-
	<u>\$1,395,000</u>	<u>\$ 427,484</u>	<u>\$ 205,417</u>	<u>\$ -</u>	<u>\$ 1,600,420</u>	<u>\$ 427,484</u>

NOTE 6 - LEASE

The District entered into an agreement to lease a copier during fiscal year 2019. The terms of the Agreement provides options to purchase the equipment.

The capital asset acquired in 2019 the lease has been capitalized in the statement of net position in the amount of \$18,778 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2021 totaled \$4,251.

The asset acquired through the capital lease is as follows:

	Amount Outstanding 12/31/20	Additions	Deletions	Amount Outstanding 12/31/21	Due in One Year
Xerox Coper 2020	\$ 14,140	\$ -	\$ 4,251	\$ 9,889	\$ 4,252

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 6 – LEASE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2021:

Year Ending December 31	Xerox Leases
2022	\$ 4,252
2023	4,252
2024	<u>1,385</u>
Total Lease Payments	\$ 9,889

NOTE 7 – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage for bodily injury, personal injury, general liability, boiler and machinery coverage and fleet (automotive) insurance in addition to professional liability coverage for officers and board members. In 2021, the District had coverage through HCC Tokyo Marine. There has been no significant reduction in insurance coverages from coverages in the prior year.

In addition, the District has a Cyber Liability policy through Lloyds/CFC Underwriting Ltd to cover losses related to Cyber Incident Response, Cyber Crime, System Damage and Business Interruption, Network Security Liability, Media Liability, Technology Errors and Omissions, and Court Attendance Costs.

Workers' Compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate established by the State on an annual basis. The rate is determined based on accident history and administrative costs.

The District has elected to provide a health and life insurance plan for the District's full-time employees through Federated Insurance Group Health Plan. It relies on a Cigna Network. The District also provides employees with a Health Savings Plan to supplement for the cost of a high-deductible health plan.

NOTE 8 - COMPENSATED ABSENCES

All full-time District employees earn vacation at varying rates based upon length of service. Upon separation from the Water District, the employee (or his estate) is paid for his accumulated unused vacation leave balance. All full-time District employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the District, an employee shall receive monetary compensation for a portion of each day of unused sick leave; the monetary compensation shall be at the hourly rate of the employee at the time of retirement.

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 2021, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$382,265.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

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 with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. District 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,

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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

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

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 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 for the period ended December 31, 2021 were \$255,757.100% has been contributed for 2021. Of this amount, \$0 is reported as accrued salaries payable.

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

The net pension asset and liability were measured as of December 31, 2020, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of that date. The District's proportions of the net pension asset and liability were based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,858,234
Proportion of the Net Pension Liability/(Asset)	0.012549%
Increase/(decrease) in % from prior proportion measured	0.000412%
Pension Expense	\$ 65,187

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Traditional Pension Plan</u>
Deferred Outflows of Resources	
Changes in proportion and differences between government contributions and proportionate share of contributions	\$ 56,730
District contributions subsequent to the measurement date	255,757
Total Deferred Outflows of Resources	312,487
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	724,285
Differences between expected and actual experience	77,731
Changes in proportion and differences between government contributions and proportionate share of contributions	7,057
Total Deferred Inflows of Resources	\$ 809,073

\$255,757 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending June 30:	<u>Traditional Pension Plan</u>
2022	\$ (275,181)
2023	(83,137)
2024	(295,245)
2025	(98,780)
Total	\$ (752,343)

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2020, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% inflation of 3.25%) (Includes wage
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 0.50% Simple through 2021, then 2.15% Simple

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

During 2020 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7% for 2020.

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

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

<u>Employer’s Net Pension Liability</u>	<u>1% Decrease 6.2%</u>	<u>Current Discount Rate 7.2%</u>	<u>1% Increase 8.2%</u>
Traditional Pension Plan	\$ 3,544,591	\$ 1,858,234	\$ 456,031

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability/(Asset)

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

The net OPEB liability/(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 longterm 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/(asset) to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability/(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.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 10– DEFINED BENEFIT OPEB PLAN (Continued)

Plan Description

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

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary authority over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.00% of covered payroll. For the year ended December 31, 2020, in the Traditional Plan OPERS allocated 0.00% of employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability/(asset) was measured as of December 31, 2020, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability/(asset) was based on the District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability/(Asset)	\$ (208,213)
Proportion of the Net OPEB Asset	0.011687%
Increase/(decrease) in % from prior proportion measured	0.000384%
OPEB Expense	\$ (1,246,752)

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

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

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	\$ 102,360
Changes in proportion and differences between government contributions and proportionate share of contributions	32,483
Total Deferred Outflows of Resources	\$ 134,843
Deferred Inflows of Resources	
Changes in assumptions	\$ 337,368
Net difference between projected and actual earnings on pension plan investments	110,897
Differences between expected and actual experience	187,911
Changes in proportion and differences between government contributions and proportionate share of contributions	4,290
Total Deferred Inflows of Resources	\$ 640,466

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

Fiscal Year Ending June 30:	OPERS
2022	\$ (263,082)
2023	(256,722)
2024	27,244
2025	(13,063)
Total	\$ (505,623)

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

Actuarial Assumptions - OPERS

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2019
Rolled-forward measurement date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	8.50% initial, 3.50% ultimate in 2035

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

A single discount rate of 6.00% as used to measure the OPEB liability/(asset) on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 2120. As a result,

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

The following table presents the OPEB liability/(asset) calculated using the single discount rate of 6.00%, and the expected net OPEB liability/(asset) if it were calculated using a discount rate that is 1.00% lower or 1.00% higher 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)	\$ (51,773)	\$ (208,213)	\$ (336,819)

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% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Case Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$ (213,288)	\$ (208,213)	\$ (202,536)

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2020	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	9.00%	4.02%
Total	100.00%	4.43%

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

During 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, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.50% for 2020.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2021

Last 8 Fiscal Years

Public Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset) (percentage)	0.012549%	0.012137%	0.012287%	0.012167%	0.012383%	0.011834%	0.011584%	0.011584%
District's proportionate share of the net pension liability (asset)	\$ 1,858,234	\$ 2,398,960	\$ 3,365,160	\$ 1,908,766	\$ 2,811,969	\$ 2,049,798	\$ 1,397,160	\$ 1,365,603
District's covered payroll	\$ 1,768,503	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774	\$ 1,472,893	\$ 1,424,908	\$ 1,329,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	105.07%	140.48%	202.77%	118.72%	175.66%	139.17%	98.05%	102.72%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

Information prior to 2013 is not available.

This information is presented as of the measurement date.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Last 9 Fiscal Years

Public Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 255,757	\$ 247,590	\$ 239,078	\$ 232,348	\$ 209,017	\$ 192,093	\$ 176,747	\$ 170,989	\$ 172,810
Contributions in relation to contractually required contribution	<u>(255,757)</u>	<u>(247,590)</u>	<u>(239,078)</u>	<u>(232,348)</u>	<u>(209,017)</u>	<u>(192,093)</u>	<u>(176,747)</u>	<u>(170,989)</u>	<u>(172,810)</u>
Contribution deficit (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,826,836	\$ 1,768,503	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774	\$ 1,472,893	\$ 1,424,908	\$ 1,329,400
Contributions as a percentage of covered payroll	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.

This schedule will be built prospectively.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
DECEMBER 31, 2021**

Last 5 Fiscal Years

Health Care Trust

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset) (percentage)	0.011303%	0.011303%	0.011442%	0.011350%	0.011583%
District's proportionate share of the net OPEB liability (asset)	\$ (208,213)	\$ 1,561,238	\$ 1,491,767	\$ 1,232,526	\$ 1,169,922
District's covered payroll	\$ 1,768,503	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-11.77%	91.42%	89.89%	76.66%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	46.33%	54.14%	N/A

Information prior to 2016 is not available.

This information is presented as of the measurement date.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Last 9 Fiscal Years

Health Care Trust

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 16,078	\$ 32,015	\$ 29,458	\$ 28,498	\$ 13,293
Contributions in relation to contractually required contribution	-	-	-	-	(16,078)	(32,015)	(29,458)	(28,498)	(13,293)
Contribution deficit (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,826,836	\$ 1,768,503	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774	\$ 1,472,893	\$ 1,424,908	\$ 1,329,400
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Notes To the Required Supplemental Information
For the Fiscal Year Ended December 31, 2021**

NOTE 1 - CHANGES IN ASSUMPTIONS – OPERS PENSION

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2016	December 31, 2015
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	8.00%
Wage Inflation	3.25%	3.75%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	4.25% to 10.05% (Includes wage inflation of 3.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3/00% Simple through 2018, then 2.15% Simple

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

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

Changes for the period 2018 versus the measurement period 2017 included a reduction of the discount rate from 7.5% to 7.2%.

There were no significant changes for the measurement period 2019 versus the measurement period 2018.

There were no significant changes for the measurement period 2020 versus the measurement period 2019.

NOTE 2 - CHANGES IN ASSUMPTIONS – OPERS OPEB

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

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Notes To the Required Supplemental Information
For the Fiscal Year Ended December 31, 2021**

CHANGES IN ASSUMPTIONS – OPERS OPEB (CONTINUED)

Key Methods and Assumptions Used in Valuation of Total OPEB Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2017	December 31, 2016
Rolled-forward measurement date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	3.96%	3.85%
Investment Rate of Return	6.00%	6.50%
Municipal Bond Rate	3.71%	3.31%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10% initial, 3.25% ultimate in 2029	7.5% initial, 3.25% ultimate in 2028

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a increase of the discount rate from 3.85% to 3.96%, a reduction in the investment rate of return 6.50% to 6.00%, and an increase in bond rate from 3.31% to 3.71%.

Amounts reported for fiscal year 2020 (Measurement Period 2019) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2019 (Measurement Period 2018) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2018	December 31, 2017
Rolled-forward measurement date	December 31, 2019	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	3.16%	3.96%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	2.75%	3.71%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.5% initial, 3.50% ultimate in 2030	10% initial, 3.25% ultimate in 2029

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a decrease of the discount rate from 3.96% to 3.16% and an decrease in bond rate from 3.71% to 3.25%. There is also a change Health Care Cost Trend Rates.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Notes To the Required Supplemental Information
For the Fiscal Year Ended December 31, 2021**

CHANGES IN ASSUMPTIONS – OPERS OPEB (CONTINUED)

Amounts reported for fiscal year 2021 (Measurement Period 2020) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2020 (Measurement Period 2019) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2019	December 31, 2018
Rolled-forward measurement date	December 31, 2020	December 31, 2019
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	6.00%	3.16%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	2.00%	2.75%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	8.50% initial, 3.50% ultimate in 2035	10.5% initial, 3.50% ultimate in 2030

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a decrease of the discount rate from 3.16% to 6.00% and an decrease in bond rate from 3.25% to 2.00%. There is also a change Health Care Cost Trend Rates.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

Our discussion and analysis of the Scioto County Regional Water District #1 financial performance provides an overview of the District's financial activities for the year ended December 31, 2020. Please read it in conjunction with the District's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements and notes to those statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the District. GASB No. 34 required the following changes to the District's financial statements:

1. The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The net position section is displayed in three categories: 1) Net Investment in Capital Assets 2) Restricted, and 3) Unrestricted.
2. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine the District's creditworthiness.
3. The *Statement of Cash Flows* includes a summary of the cash flows from operations, capital and related financing and investments during the reporting period. As in the past, the *Statement of Cash Flows* continues to reconcile the reasons why cash from operating activities differs from operating income

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

Overview of the Basic Financial Statements

The District operates as a utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the District's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Net Position*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* includes all of the District's assets, liabilities, deferred outflows and deferred inflows with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The *Statement of Net Position* provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The *Statement of Revenue, Expenses and Changes in Net Position* presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenues, Expenses and Changes in Net Position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through water sales, user fees and other charges.

The *Statement of Cash Flows* provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital Financing
- Capital Financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revised accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

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

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

Financial Highlights

During the year ending December 31, 2020, the District's operating revenues were \$4,480,861. Operating expenses were \$4,662,298 resulting in (\$181,437) loss from operations. There were no rate increases in 2020, so revenues remained stable and very similar to the previous year.

During 2020, the sale of bulk water was a significant source of revenue totaling \$893,816. This was a decrease from the previous year. We continue to be a back-up source for Southern Ohio Correctional Facility, however during 2020 they used our services minimally.

Several projects in the plant and distribution departments were completed in 2020. Plant projects included the development of new wells in the well field, rehabilitation of old wells, and improvement of the slaker area of the Plant along with the rehab of our #5 Filter. Distribution projects included tank replacement for Woods Ridge Standpipe, High Street Pipe Extension, and repair of the #5 Booster Station, and Houston Hollow 8" Pipe Project along with various other line replacement projects throughout the system.

We are continuing the GIS Project and continue to develop and enhance its capabilities with the goal of having a hydrology model of our water system. The electronic work order system, Workforce, put into operation in 2017 allows our data from the GIS System and our Utility Billing system to push information to the workers in the field. Based on that system, we implemented a Survey option in Workforce that allows us to document preventative maintenance on our infrastructure and assets. During the two years, we spent substantial funds clearing the hill area around two of our primary water tanks after a hill slip occurred. In 2020, we were able to secure additional land on Nesbitt Road to move both tanks to a more stable environment.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

Financial Analysis of the District

Net Position - The District's net position between fiscal years 2019 and 2020 decreased from \$10,575,664 to \$10,430,599. This is a decrease of \$145,065.

**Table 1
Net Position**

Assets	2020	2019	Change
Total Current Assets	\$ 3,882,073	\$ 4,361,848	\$ (479,775)
Total Non-Current Assets	12,949,767	12,132,515	817,252
<i>Total Assets</i>	<u>16,831,840</u>	<u>16,494,363</u>	<u>337,477</u>
Deferred Outflows of Resources			
Deferred Charge on Debt	-	7,667	(7,667)
Deferred Hydrology	65,716	75,104	(9,388)
Deferred Pension Related	382,200	1,004,563	(622,363)
Deferred OPEB	250,565	123,691	126,874
<i>Total Deferred Outflows of Resources</i>	<u>698,481</u>	<u>1,211,025</u>	<u>(512,544)</u>
Liabilities			
Total Current Liabilities	563,430	410,115	153,315
Total Noncurrent Liabilities	5,774,160	6,652,017	(877,857)
<i>Total Liabilities</i>	<u>6,337,590</u>	<u>7,062,132</u>	<u>(724,542)</u>
Deferred Inflows of Resources			
Pension	528,633	55,234	473,399
OPEB	233,499	12,358	221,141
Net investment in capital assets	10,926,225	10,109,051	817,174
Restricted for:			
Debt Service	259,959	257,459	2,500
Unrestricted (deficit)	(755,585)	209,153	(964,738)
Total Net Position	<u>\$ 10,430,599</u>	<u>\$ 10,575,664</u>	<u>\$ (145,065)</u>

Net position represents the difference between all other elements of the statement of net position. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

Change in Net Position – The District's operating revenue was \$4,480,861; operating expenses had a decrease of \$149,501.

In fiscal year 2020, 99% of the District's operating revenues came from water and tap sales with \$893,816 coming from bulk customers. Water Tap Sales were \$41,525 resulting in a Change in Net Position of (\$145,065). Overall, revenues and expenses remained stable.

**Table 2
Changes in Net Position**

	2020	2019	Increase (Decrease)
Operating Revenues			
Water Sales	\$ 4,350,473	\$ 4,476,686	\$ (126,213)
Water Tap Sales	41,525	25,619	15,906
Lab Test Fees	2,057	2,384	(327)
Miscellaneous	86,804	29,773	46,028
Non-Operating Revenues			
Gain/Loss on Sale of Asset	-	3,733	(3,733)
Interest Income	21,103	76,965	(55,862)
<i>Total Revenues</i>	<u>4,501,964</u>	<u>4,615,160</u>	<u>(113,196)</u>
Operating Expenses			
Supply and Treatment	1,642,768	1,706,391	(63,623)
Distribution	1,230,347	1,264,970	(34,622)
Administration, Billing, and Office	1,090,498	1,147,477	(56,979)
Board Expenses	14,514	12,352	2,162
Depreciation Expenses	684,170	676,786	7,384
Non-Operating Expenses			
Interest Expense	84,765	88,588	3,823
<i>Total Expenses</i>	<u>4,747,063</u>	<u>4,896,564</u>	<u>(149,501)</u>
Income Before Contributions	(245,099)	(281,404)	36,306
Total Capital Contributions	100,034	120,336	(20,302)
Change in Net Assets	(145,065)	(161,068)	(16,003)
Net Position Beginning of Year	<u>10,575,664</u>	<u>10,736,732</u>	<u>(161,068)</u>
Net Position End of Year	<u>\$ 10,430,599</u>	<u>\$ 10,575,664</u>	<u>\$ (145,065)</u>

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

Capital Position

As of December 31, 2020, the District had invested over \$12.6 million in capital assets. This amount represents a net increase of \$814,755 over the prior year. Construction in Progress increased by \$510,910 as several projects were started in 2020. More detailed information about the District's Capital Position is presented in Note 4 to the basic financial statements.

Table 3

Capital Assets

	2020	2019
Land	\$ 1,401,647	\$ 1,288,066
Construction in Progress	1,026,210	515,300
Source of Supply	2,123,663	2,119,808
Water Treatment Plant	5,551,204	5,526,759
Distribution System	16,244,487	15,537,504
Transportation Equipment	959,698	845,773
Office Furniture & Equipment	507,665	505,146
Other Equipment	1,703,677	1,680,971
Less Accumulated Depreciation	(16,828,444)	(16,144,274)
	<u>\$ 12,689,808</u>	<u>\$ 11,875,053</u>

Budget Analysis

The District exceeded the budgeted revenue for 2020 by \$21,548. Total receipts collected were over \$4.69 million. The District's expenses were under the budgeted amount by approximately \$17,502 (excluding depreciation, GASB 68 pension expense, and GASB 75 OPEB Expense). The District expenses for 2020 totaled with the depreciation and the GASB 68 pension expense was \$4,747,063.

Debt Administration

At December 31, 2020, the District had \$1,500,000 in bonds payable. The total OPWC debt is \$249,442. More detailed information about the District's long-term debt is presented in Note 5 to the Basic Financial Statements.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCIOTO COUNTY**

**Management's Discussion And Analysis
For The Fiscal Year Ended December 31, 2020
(Unaudited)**

Economic Factors

The District's financial condition remains stable as upgrades and improvements to the system are completed. Additional money for capital improvement was obtained through a bond renewal in 2011, giving the district funds to complete/begin several important operational projects. Expansion of the Well Field continues and rehabilitation of old wells is currently in progress. A significant line extension project was completed on High Street, a line replacement project was completed on Houston Hollow Road, and a new tank to replace the Woods Ridge Standpipe was completed. Revenue remained stable in 2020 with a slight decrease of (\$124,201) over the previous year. A water rate increase was implemented for 2021 which should provide a boost to revenues. The local economic conditions continue to challenge the district. However, the District experienced increased Tap Sales in 2020 which is a promising indicator. Economic Development has started at the Portsmouth Regional Airport in Minford with The District serving as the provider. This should provide an additional source of industrial revenue once the buildings are complete.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Kathie Martin, Treasurer at Scioto County Regional Water District #1 located at 181 State Route 728, Lucasville Ohio 45648, (740) 259-2301.

Scioto County Regional Water District #1

Statement of Net Position

December 31, 2020

	Assets	2020
Current Assets		
Cash and Cash Equivalents		\$ 2,903,699
Accounts Receivable		738,243
Deposits		3,900
Inventories		220,375
Prepaid Expenses		15,856
Total Current Assets		<u>3,882,073</u>
Non-Current Assets		
Restricted Assets:		
Cash and Cash Equivalents		259,959
Capital Assets:		
Non-Depreciable Capital Assets		2,427,857
Depreciable Capital Assets, Net of Accum Depreciation		<u>10,261,951</u>
Total Capital Assets		12,689,808
Total Non-Current Assets		<u>12,949,767</u>
Total Assets		<u>\$ 16,831,840</u>
Deferred Outflows of Resources		
Deferred Hydrology		\$ 65,716
Deferred Pension Related		382,200
Deferred OPEB		250,565
Total Deferred Outflows of Resources		<u>\$ 698,481</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS		\$ 17,530,321

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Statement of Net Position (Continued)
December 31, 2020

	Liabilities	2020
Current Liabilities		
Accounts Payable		\$ 232,019
Accrued Wages		24,212
Employee Withholding Payable		1,535
Unset Water Taps Payable		22,000
Compensated Absences Payable		143,638
Customer Deposits		3,000
Current Bonds Payable		105,000
Current OPWC Loan Payable		27,774
Current Capital Lease Payable		4,252
Total Current Liabilities		563,430
Noncurrent Liabilities		
Long Term Compensated Absences		187,411
Capital Lease Payable		9,889
OPWC Loan Payable		221,668
Net Pension Liability		2,398,960
Net OPEB Liability		1,561,232
Revenue Bonds Payable		1,395,000
Total Noncurrent Liabilities		5,774,160
Total Liabilities		\$ 6,337,590
Deferred Inflows of Resources		
Pension		\$ 528,633
OPEB		233,499
		\$ 762,132
Net Position		
Net investment in capital assets		\$ 10,926,225
Restricted for:		
Debt Service		259,959
Unrestricted (deficit)		(755,585)
Total Net Position		\$ 10,430,599
TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION		\$ 17,530,321

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ending December 31, 2020

		2020
Operating Revenues		
Water Sales	\$	4,350,473
Water Tap Sales		41,525
Lab Test Fees		2,057
Miscellaneous		86,806
Total Operating Revenues		4,480,861
Operating Expenses		
Supply and Treatment		1,642,769
Distribution		1,230,347
Administration, Billing, and Office		1,090,498
Board Expenses		14,514
Depreciation Expenses		684,170
Total Operating Expenses		4,662,298
Operating Income		(181,437)
Non-Operating Revenues		
Interest Income		21,103
Interest Expense		(84,765)
Total Non-Operating Revenues/Expenses		(63,662)
Income Before Contributions		(245,099)
Capital Contributions		
Capital Contributions from Grant		100,034
Total Capital Contributions		100,034
Change in Net Assets		(145,065)
Net Position Beginning of Year		10,575,664
Net Position End of Year	\$	10,430,599

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows
For the Year Ending December 31, 2020

	2020
Cash flows from Operating Activities:	
Receipts from Customers	\$ 4,390,776
Receipts from Others	59,061
Payments to Suppliers and Vendors	(689,450)
Payments to Employees	<u>(2,829,062)</u>
Net cash provided by operating activities	<u>931,325</u>
 Cash Flows from Capital and Related Financing Activities:	
Principal on Bond	(105,000)
Interest on Bond	(84,765)
Proceeds from OPWC Loan	94,550
Xerox principal	(4,252)
Proceeds from Grant funds	100,034
Payments for Capital Acquisitions	<u>(1,494,309)</u>
Net cash used by capital and related financing activities	<u>(1,493,742)</u>
 Cash Flows from Investing Activities:	
Interest earned	<u>21,103</u>
Net cash Provided by Investing Activities	<u>21,103</u>
Net increase/decrease in cash and cash equivalents	(541,314)
Cash and cash equivalents, January 1, 2020	<u>3,704,972</u>
Cash and cash equivalents, December 31, 2020	<u><u>\$ 3,163,658</u></u>

The notes to the basic financial statements are an integral part of this statement.

Scioto County Regional Water District #1
Scioto County
Statement of Cash Flows (Continued)
For the Year Ending December 31, 2020

Reconciliation of Operating Income to Net Cash Provided by	
Operating Income	\$ (181,437)
Adjustments:	
Depreciation Expense	\$ 684,170
<i>Change in Assets</i>	
(Increase) Decrease in Accounts Receivable	(31,023)
(increase) Decrease Deposits	(600)
(Increase) Decrease Inventories	(26,298)
(Increase) Decrease in Prepaid Expenses	(6,117)
(Increase) Decrease Deferred Charges	7,667
(Increase) Decrease Deferred Hydrology	9,388
(Increase)Decrease Deferred Outflows of Resources - Pensions/OPEB	495,489
<i>Change in Liabilities</i>	
Increase (Decrease) in Accounts Payable	133,964
Increase (Decrease) in Accrued Wages	11,120
Increase (Decrease) in Employee Withholding Payable	(421)
Increase (Decrease) in Water Taps Payable	2,000
Increase (Decrease) in Compensated Absences Payable	35,617
Increase (Decrease) in Pension Liability	(896,734)
Increase (Decrease) Deferred Inflows of Resources - Pensions/OPEB	694,540
Total Adjustments	<u>1,112,762</u>
Net Cash Provided by Operating Activities	<u><u>\$ 931,325</u></u>

The notes to the basic financial statements are an integral part of this statement.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 - DESCRIPTION OF THE ENTITY

The Scioto County Regional Water District #1 is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Scioto County in August of 1966. The Regional Water District Number One operates under the direction of a seven member board of trustees. An appointed staff consisting of a superintendent, a plant superintendent, a distribution superintendent, and an office manager are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all or parts of the following political subdivisions:

Bloom Township
Clay Township
Harrison Township
Jefferson Township
Madison Township
Porter Township
Valley Township
Vernon Township
South Webster Village

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all fund, department, board, and agencies that are not legally separate from the District. For Scioto County Regional Water District #1 this includes general operations of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basic of Accounting

The District's operations are financed and operated in a manner similar to a private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy management control, accountability or other purposes.

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The District's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

Capital Assets

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. Donated assets are recorded at their acquisition value at the time received. Capital Assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation.

The estimated useful lives by major capital asset class are as follows:

Source of Supply	8 years
Transportation Equipment	5 years
Water Treatment Plant	40 years
Other Equipment	5 years
Distribution System & Lines	40 years
Furniture and Office Equipment	10 years

Inventory

The District maintains material inventory for its proprietary fund. Inventory is valued at cost and the District uses the first-in, first-out (FIFO) flow assumption in determining cost.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. When amounts are deemed uncollectible, they are expensed in the year in which that determination is made.

Restricted Assets

The District is required to keep an account in reserve that is equal to the year with the highest principal and interest total on the bond amortization schedule. This amount is \$259,959. The District is also required to maintain accounts for the principal and interest payments on the bond.

Compensated Absences

Accumulated vacation leave and accumulated compensatory time are recorded as an expense and liability of the District as the benefits accrue to the employees. In accordance with the provisions of Governmental Accounting Standards Statement No.16, Accounting for Compensated Absences, a liability is recorded for vested sick pay benefits which have been defined by District policy as available to those employees with ten years or more of service up to a maximum of 480 hours.

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. The Proprietary fund's interest in the pool is presented as "cash and cash equivalents" on the Statement of Net Position.

During 2020, the District invested in negotiable certificates of deposit, federal agency securities, mutual funds, and Star Ohio. Investments are reported at fair value which is based on quoted market price or current share price. Star Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The District measures the investment in Star Ohio at the net asset value (NAV) per share provided by Star Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. Star Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s) but only to the \$50 million limit. All accounts of the participant will be combined for this purpose.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific revenues and expenses. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restriction associated with each type of fund is as follows:

Proprietary Fund - The proprietary fund is used to account for the District's ongoing activities that are similar to those found in the private sector. The following is the District's proprietary fund type:

Enterprise Fund - This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Deferred Charges

Deferred charges are non-regularly recurring, non-capital costs of operations that benefit future periods. These costs include those incurred in connection with a bond issuance in 2011. Deferred charges expense for 2020 was \$7,667. Additional deferred charges were incurred with a Hydrology study of the Well Field. These charges totaled \$65,716 and will be amortized annually for 10 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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, other post-employment benefits (OPEB) and deferred debt charges. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 9 and 10.

Prepaid Expenses

Prepaid Expenses are charges entered in the accounts for benefits not yet received. Prepaid expenses differ from deferred charges in that they are spread over a shorter period of time than deferred charges and are regularly recurring costs of operation. Prepaid expenses for 2020 were \$15,856.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net position represents the differences in all other elements of the statement of financial position. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Net position restricted for debt service consists of monies and other resources which are restricted to satisfy debt service requirements as specified in debt agreements.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the District. These revenues consist of certain sales and fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

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 can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

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 Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name.

Cash on Hand - At year end, the District had \$400 in undeposited cash on hand which is included on the Statement of Net Position of the District as part of "cash and cash equivalents".

Deposits At year end, the carrying amount of the District's deposits and the bank balance was \$600,121. Of the bank balance at year end 2020, \$250,000 was covered by federal depository insurance. The remaining balances were covered by a 105% public depository pool, which was collateralized with securities held by the pledging institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments The District had the following investments at December 31, 2020:

	Carrying Amount	Fair Value/NAV
Star Plus	\$ 204,524	\$ 204,524
Star Ohio	2,098,651	2,098,651
Reserve Bond Trust - Cash Equivalents	191,856	191,856
Reserve Bond Payment - Cash Equivalents	61,260	61,260
Reserve Bond Interest - Cash Equivalents	6,843	6,843
Total Investments	\$ 2,563,134	\$ 2,563,134

Star Ohio is measured at net asset value per share while all other investments are measured at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of December 31, 2020. All of the District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy requires that, to the extent possible, the Treasurer will attempt to match investments with anticipated cash flow requirements to take best advantage of prevailing economic and market conditions.

The District's investment policy does not address any restriction on investments relating to interest rate, credit or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within two years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

investments that cannot be held until the maturity date is also restricted.

NOTE 4 – CAPITAL ASSETS

A summary of the District's capital assets as of December 31, 2020, are as follows:

	2019	Additions	Deletions	2020
Capital Assets, Not being Depreciated				
Land	\$ 1,288,066	\$ 113,581	\$ -	\$ 1,401,647
Construction in Progress	515,300	1,280,460	(769,550)	1,026,210
Total Capital Assets, Not Being Depreciated	1,803,366	1,394,041	(769,550)	2,427,857
Capital Assets Being Depreciated				
Source of Supply	2,119,808	3,857	-	2,123,665
Water Treatment Plant	5,526,759	24,445	-	5,551,204
Distribution System	15,537,504	706,984	-	16,244,488
Transportation Equipment	845,773	113,924	-	959,697
Office Furniture & Equipment	505,146	2,519	-	507,665
Other Equipment	1,680,971	22,705	-	1,703,676
Total Capital Assets Being Depreciated	26,215,961	874,433	-	27,090,395
Less Accumulated Depreciation				
Source of Supply	(1,017,871)	(70,769)	-	(1,088,640)
Water Treatment Plant	(3,905,770)	(125,546)	-	(4,031,316)
Distribution System	(9,047,308)	(366,686)	-	(9,413,994)
Transportation Equipment	(676,432)	(33,571)	-	(710,003)
Office Furniture & Equipment	(254,167)	(27,753)	-	(281,920)
Other Equipment	(1,242,726)	(59,844)	-	(1,302,571)
Less Accumulated Depreciation	(16,144,274)	(684,170)	-	(16,828,444)
Total Capital Assets Being Depreciated, Net	10,071,687	190,263	-	10,261,951
Total Capital Assets, net	\$ 11,875,053	\$ 1,584,304	\$ (769,550)	\$ 12,689,808

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 5 - DEBT OBLIGATIONS

A schedule of changes in bonds and other long-term obligations of the District during 2020, follows:

	Amount Outstanding 12/31/19	Additions	Deletions	Amount Outstanding 12/31/20	Amounts Due in One Year
Water System Revenue Refunding & Improvement Bonds (2011)	\$ 1,600,000	\$ -	\$ 100,000	\$ 1,500,000	\$ 105,000
OPWC Loans 1999- 2013 (0.00%)	154,893	94,550	-	249,443	27,775
Compensated Absences	295,432	35,617	-	331,049	143,638
Net Pension Liability	3,365,159	-	966,199	2,398,960	-
Net OPEB	1,491,767	69,465	-	1,561,232	-
Total	\$ 6,907,251	\$ 199,632	\$ 1,066,199	\$ 6,040,684	\$ 276,413

The revenue refunding and improvement bonds are special obligations of the District, payable solely from the pledged revenues of its water system and the revenue fund created under the indenture. The bonds were issued to fund capital expenditures to improve the system at a rate of 2.00%-5.63%. Payments are made yearly.

The OPWC loans were issued for the purpose of financing the Fairgrounds Road waterline, Clarktown Water Tank, Number 5 Pump Station, Northwest Main Supply Line, and the Cross Country Water Line projects. Revenue of the District has been pledged to repay this debt. Payments of \$13,887 with 0% interest are made semi-annually.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 5 - DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire the District's long-term obligations outstanding at December 31, 2020 are as follows:

Year Ending	Improvement Bonds		OPWC Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 105,000	\$ 82,069	\$ 44,026	\$ -	\$ 149,026	\$ 82,069
2022	110,000	74,594	21,378	-	131,378	74,594
2023	115,000	68,969	18,360	-	133,360	68,969
2024	120,000	62,719	18,360	-	138,360	62,719
2025	130,000	55,828	17,794	-	147,794	55,828
2026-2030	745,000	160,453	79,888	-	824,888	160,453
2031-2035	175,000	4,921	23,637	-	198,637	4,922
2036-2040	-	-	23,637	-	23,637	-
2041	-	-	2,363	-	2,363	-
	<u>\$1,500,000</u>	<u>\$ 509,553</u>	<u>\$ 249,443</u>	<u>\$ -</u>	<u>\$ 1,749,443</u>	<u>\$ 509,553</u>

NOTE 6 - LEASE

The District entered into an agreement to lease a copier during fiscal year 2019. The terms of the Agreement provides options to purchase the equipment.

The capital asset acquired in 2019 by the lease has been capitalized in the statement of net position in the amount of \$18,778 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2020 totaled \$4638.

The asset acquired through the capital lease is as follows:

	Amount Outstanding 12/31/19	Additions	Deletions	Amount Outstanding 12/31/20	Due in One Year
Xerox Coper 2019	\$ 18,778	\$ -	\$ 4,638	\$ 14,140	\$ 4,252

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 6 – LEASE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2020:

Year Ending December 31	Xerox Leases
2021	\$ 4,252
2022	4,252
2023	4,252
2024	<u>1,384</u>
Total Lease Payments	\$ 14,140

NOTE 7 – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage for bodily injury, personal injury, general liability, boiler and machinery coverage and fleet (automotive) insurance in addition to professional liability coverage for officers and board members. In 2020, the District had coverage through Glatfelter Public Practice Underwritten by American Alternative Insurance Corporation. There has been no significant reduction in insurance coverages from coverages in the prior year.

In addition, the District has a Cyber Liability policy through Lloyds/CFC Underwriting Ltd to cover losses related to Cyber Incident Response, Cyber Crime, System Damage and Business Interruption, Network Security Liability, Media Liability, Technology Errors and Omissions, and Court Attendance Costs.

Workers' Compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate established by the State on an annual basis. The rate is determined based on accident history and administrative costs.

The District has elected to provide a health and life insurance plan for the District's full-time employees through Federated Insurance Group Health Plan. It relies on a Cigna Network. The District also provides employees with a Health Savings Plan to supplement for the cost of a high-deductible health plan.

NOTE 8 - COMPENSATED ABSENCES

All full-time District employees earn vacation at varying rates based upon length of service. Upon separation from the Water District, the employee (or his estate) is paid for his accumulated unused vacation leave balance. All full-time District employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the District, an employee shall receive monetary compensation for a portion of each day of unused sick leave; the monetary compensation shall be at the hourly rate of the employee at the time of retirement.

District employees who work on holidays and in an occasional overtime status are primarily paid on a current basis. However, in some instances the employees are permitted to accrue compensatory time to be taken as time off or to be paid at a later date. At December 31, 2020, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$331,049.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

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

Plan Description

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS annual comprehensive financial report 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 the other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution for the period ended December 31, 2020 were \$247,590. 91% has been contributed for 2020. Of this amount, \$21,839 is reported as accrued salaries payable.

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

The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	\$ 2,398,960
Proportion of the Net Pension Liability/(Asset)	0.012137%
Increase/(decrease) in % from prior proportion measured	-0.000150%
Pension Expense	\$ 377,150

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Traditional Pension Plan
Deferred Outflows of Resources	
Changes in assumptions	\$ 128,133
Changes in proportion and differences between government contributions and proportionate share of contributions	6,478
District contributions subsequent to the measurement date	247,590
Total Deferred Outflows of Resources	\$ 382,201
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 478,539
Differences between expected and actual experience	30,331
Changes in proportion and differences between government contributions and proportionate share of contributions	19,762
Total Deferred Inflows of Resources	\$ 528,632

\$247,590 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending December 31:	Traditional Pension Plan
2021	\$ (62,219)
2022	(161,605)
2023	19,817
2024	(190,014)
Total	\$ (394,021)

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2019, are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2019
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2020, then 2.15% Simple

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

During 2019 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

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

Asset Class	Target Allocation for 2019	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Employer's Net Pension Liability	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
Traditional Pension Plan	\$ 3,956,662	\$ 2,398,960	\$ 998,632

NOTE 10 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

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

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (CONTINUED)

Plan Description

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

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

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability	\$ 1,561,238
Proportion of the Net OPEB Liability	0.011303%
Increase/(decrease) in % from prior proportion measured	-0.000139%
OPEB Expense	\$ 163,270

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

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (CONTINUED)

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	\$ 247,127
Differences between expected and actual experience	42
Changes in proportion and differences between government contributions and proportionate share of contributions	3,400
Total Deferred Outflows of Resources	\$ 250,569
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 79,498
Differences between expected and actual experience	142,782
Changes in proportion and differences between government contributions and proportionate share of contributions	11,218
Total Deferred Inflows of Resources	\$ 233,498

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

Fiscal Year Ending December 31:	OPERS
2021	\$ 36,415
2022	14,564
2023	65
2024	(33,973)
Total	\$ 17,071

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2018
Rolled-forward measurement date	December 31, 2019
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.75%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.5% initial, 3.50% ultimate in 2030

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

A single discount rate of 3.16% as 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% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (CONTINUED)

The following table presents the OPEB liability calculated using the single discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 2.16%	Current Discount Rate 2.16%	1% Increase 4.16%
District's proportionate share of the net OPEB liability	\$ 2,043,130	\$ 1,561,238	\$ 1,175,399

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,515,167	\$ 1,561,238	\$ 1,606,721

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

Asset Class	Target Allocation for 2019	Weighted Average Long Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.67%
International Equities	23.00%	7.66%
Other Investments	14.00%	4.90%
Total	100.00%	4.55%

SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLAN (CONTINUED)

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.7% for 2019.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2020**

Last 7 Fiscal Years

Public Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset) (percentage)	0.012137%	0.012287%	0.012167%	0.012383%	0.011834%	0.011584%	0.011584%
District's proportionate share of the net pension liability (asset)	\$ 2,398,960	\$ 3,365,160	\$ 1,908,766	\$ 2,811,969	\$ 2,049,798	\$ 1,397,160	\$ 1,365,603
District's covered payroll	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774	\$ 1,472,893	\$ 1,424,908	\$ 1,329,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	140.48%	202.77%	118.72%	175.66%	139.17%	98.05%	102.72%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

Information prior to 2013 is not available.

This information is presented as of the measurement date.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Last 8 Fiscal Years

Public Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 247,590	\$ 239,078	\$ 232,348	\$ 209,017	\$ 192,093	\$ 176,747	\$ 170,989	\$ 172,810
Contributions in relation to contractually required contribution	<u>(247,590)</u>	<u>(239,078)</u>	<u>(232,348)</u>	<u>(209,017)</u>	<u>(192,093)</u>	<u>(176,747)</u>	<u>(170,989)</u>	<u>(172,810)</u>
Contribution deficit (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,768,503	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774	\$ 1,472,893	\$ 1,424,908	\$ 1,329,400
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
DECEMBER 31, 2020

Last 4 Fiscal Years

Health Care Trust

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset) (percentage)	0.011303%	0.011442%	0.011350%	0.011583%
District's proportionate share of the net OPEB liability (asset)	\$ 1,561,238	\$ 1,491,767	\$ 1,232,526	\$ 1,169,922
District's covered payroll	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	91.42%	89.89%	76.66%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	N/A

Information prior to 2016 is not available.

This information is presented as of the measurement date.

**SCIOTO COUNTY REGIONAL WATER DISTRICT NO. 1
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Last 8 Fiscal Years

Health Care Trust

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ 16,078	\$ 32,015	\$ 29,458	\$ 28,498	\$ 13,293
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,078)</u>	<u>(32,015)</u>	<u>(29,458)</u>	<u>(28,498)</u>	<u>(13,293)</u>
Contribution deficit (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,768,503	\$ 1,707,699	\$ 1,659,630	\$ 1,607,824	\$ 1,600,774	\$ 1,472,893	\$ 1,424,908	\$ 1,329,400
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

Information prior to 2013 is not available.

This schedule will be built prospectively.

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY**

**Notes to the Required Supplemental Information
For the Year Ended December 31, 2020**

Note 1 - Changes in Assumptions – OPERS Pension

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

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

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

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

Changes for the period 2018 versus the measurement period 2017 included a reduction of the discount rate from 7.5% to 7.2.

There were no significant changes for the measurement period 2019 versus the measurement period 2018.

Note 2 - Changes in Assumptions – OPERS OPEB

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

**SCIOTIO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY**

**Notes to the Required Supplemental Information
For the Year Ended December 31, 2020
(Continued)**

Changes in Assumptions – OPERS OPEB (Continued)

Key Methods and Assumptions Used in Valuation of Total OPEB Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2017	December 31, 2016
Rolled-forward measurement date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	3.96%	3.85%
Investment Rate of Return	6.00%	6.50%
Municipal Bond Rate	3.71%	3.31%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10% initial, 3.25% ultimate in 2029	7.5% initial, 3.25% ultimate in 2028

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a increase of the discount rate from 3.85% to 3.96%, a reduction in the investment rate of return 6.50% to 6.00%, and an increase in bond rate from 3.31% to 3.71%.

Amounts reported for fiscal year 2020 (Measurement Period 2019) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2019 (Measurement Period 2018) are presented below:

Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2018	December 31, 2017
Rolled-forward measurement date	December 31, 2019	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Single Discount Rate	3.16%	3.96%
Investment Rate of Return	6.00%	6.00%
Municipal Bond Rate	2.75%	3.71%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.5% initial, 3.50% ultimate in 2030	10% initial, 3.25% ultimate in 2029

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a decrease of the discount rate from 3.96% to 3.16% and an decrease in bond rate from 3.71% to 3.25%. There is also a change Health Care Cost Trend Rates

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

Scioto County Regional Water District #1
Scioto County
PO Box 310
Lucasville, OH 45648

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Scioto Regional Water District #1, Scioto County, (the District) as of and for the years then ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2023.

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 purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider to be a material weakness. We consider finding 2021-001 to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Report on Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

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



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

February 27, 2023

**SCIOTO COUNTY REGIONAL WATER DISTRICT #1
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 - 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Treasurer and is essential to ensure information provided to the readers of the financial statements is accurate. The following errors with the District's 2020 annual financial report were noted:

- Net investment in Capital Assets was overstated by \$94,550;
- 2020 Net Pension Liability per audited footnote disclosure was overstated by \$966,200;
- 2020 Deferred Outflows per audited footnote disclosure was overstated by \$622,362; and
- 2020 Deferred Outflows per audited footnote disclosure was understated by \$473,398.

In 2020 and 2021, the Statement of Cash Flows did not reflect all debt related activity.

Additionally, the District did not disclose related party transactions with Arrick's Propane and Shoemaker's Service Gas Station in 2021 or 2020.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such a review should include procedures to ensure that all year end adjusting entries are properly calculated and reflected in the financial statements. We also recommend the District make appropriate footnote disclosure of related party transactions.

Officials Response: *District management will review financial statements for correctness.*

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OHIO AUDITOR OF STATE KEITH FABER



SCIOTO COUNTY REGIONAL WATER DISTRICT #1

SCIOTO 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 4/6/2023

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

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