



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

---

NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

---

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920  
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319  
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

[www.bhmcgroup.com](http://www.bhmcgroup.com)



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Directors  
Northwest Regional Water District  
123 Smith Street P.O. Box 158  
McDermott, Ohio 45652

We have reviewed the *Independent Auditor's Report* of the Northwest Regional Water District, Scioto County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2020. 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 Northwest Regional Water District 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

August 25, 2021

**This page intentionally left blank.**

**Northwest Regional Water District**  
**Scioto County**  
*Table of Contents*

---

<u>Title</u>	<u>Page</u>
Independent Auditor’s Report.....	1
2020:	
Management’s Discussion and Analysis .....	3
Basic Financial Statements:	
Statements of Net Position .....	9
Statements of Revenues, Expenses and Changes in Net Position.....	10
Statements of Cash Flows .....	11
Notes to the Basic Financial Statements .....	13
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Ohio Public Employees Retirement System .....	37
Schedule of the District’s Pension Contributions – Ohio Public Employees Retirement System.....	38
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Ohio Public Employees Retirement System .....	39
Schedule of the District’s OPEB Contributions – Ohio Public Employees Retirement System .....	40
Notes to the Required Supplementary Information.....	41
2019:	
Management’s Discussion and Analysis .....	42
Basic Financial Statements:	
Statements of Net Position .....	48
Statements of Revenues, Expenses and Changes in Net Position.....	49
Statements of Cash Flows .....	50
Notes to the Basic Financial Statements .....	52

<u>Title</u>	<u>Page</u>
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability – Ohio Public Employees Retirement System .....	77
Schedule of the District's Pension Contributions – Ohio Public Employees Retirement System.....	78
Schedule of the District's Proportionate Share of the Net OPEB Liability – Ohio Public Employees Retirement System .....	79
Schedule of the District's OPEB Contributions – Ohio Public Employees Retirement System .....	80
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	81



**INDEPENDENT AUDITOR’S REPORT**

Northwest Regional Water District  
Scioto County  
123 Smith Street  
McDermott, Ohio 45652

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities Northwest Regional Water District, Scioto County Ohio, (the District) as of and for the years ended December 31, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Northwest Regional Water District, Scioto County, Ohio, as of December 31, 2020, 2019 and 2018, and the changes in financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note K to the 2020 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Piketon, Ohio  
June 28, 2021



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

---

This discussion and analysis, along with the accompanying financial reports, of Northwest Regional Water District ("The District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by December 31, 2020 by \$8.34 million and on December 31, 2019 by \$8.36 million. The District's net position decreased by \$16 thousand (.2%) in 2020 and by \$611 thousand (6.8%) in 2019.

The District's Operating Revenues increased in 2020 by \$87 thousand (1.1%) and in 2019 they decreased by \$31 thousand (1.1%). Operating and Maintenance Expenses (excluding depreciation expense) decreased \$477 thousand (16.5%) in 2020 and in 2019 (excluding depreciation expense) increased \$488 thousand (17.4%). Depreciation expense decreased \$19 thousand (4.35%) in 2020 and increased in 2019 by \$4 thousand (.9%).

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position are the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past year and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and capital financing activities.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

**STATEMENTS OF NET POSITION**

Table 1 summarizes the Statements of Net Position of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less accumulated depreciation and outstanding debt that was used to acquire those assets.

	<b>Table 1</b>				
	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>2018</b>	<b>Change</b>
Current and Other Assets	\$ 3,219,360	\$ 2,933,692	\$ 285,668	\$ 2,911,607	\$ 22,085
Capital Assets, Net	7,597,457	7,935,697	(338,240)	8,247,193	(311,496)
Total Assets	<u>10,816,817</u>	<u>10,869,389</u>	<u>(52,572)</u>	<u>11,158,800</u>	<u>(289,411)</u>
Deferred Outflows of Resources - Pension	201,234	430,751	(229,517)	198,112	232,639
Deferred Outflows of Resources - OPEB	130,636	64,677	65,959	41,239	23,438
Deferred Outflows of Resources - Total	<u>331,870</u>	<u>495,428</u>	<u>(163,558)</u>	<u>239,351</u>	<u>256,077</u>
Long Term Liabilities:					
Other Long-Term Liabilities	594,899	701,325	(106,426)	804,188	(102,863)
Net Pension Liability	996,190	1,303,394	(307,204)	709,100	594,294
Net OPEB Liability	648,363	577,828	70,535	458,261	119,567
Other Current Liabilities	264,515	246,225	18,290	257,787	(11,562)
Total Liabilities	<u>2,503,967</u>	<u>2,828,772</u>	<u>(324,805)</u>	<u>2,229,336</u>	<u>599,436</u>
Deferred Inflows of Resources - Pension	211,314	177,398	33,916	166,210	11,188
Deferred Inflows of Resources - OPEB	92,311	1,568	90,743	34,137	(32,569)
Deferred Inflows of Resources - Total	<u>303,625</u>	<u>178,966</u>	<u>124,659</u>	<u>200,347</u>	<u>(21,381)</u>
Net Position					
Invested in Capital Assets, Net of Related Debt	6,896,132	7,131,509	(235,377)	7,343,526	(212,017)
Unrestricted	1,444,963	1,225,570	219,393	1,624,942	(399,372)
Total Net Position	<u>\$ 8,341,095</u>	<u>\$ 8,357,079</u>	<u>\$ (15,984)</u>	<u>\$ 8,968,468</u>	<u>\$ (611,389)</u>

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

---

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.

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.

The District's Net Position as reported on page 2 decreased by \$16 thousand (.2%) in 2020 and decreased by \$611 thousand (7.3%) in 2019. The smaller decrease in 2020 was primarily due to decreases in pension expense. The decrease in 2019 was primarily due to a decrease in pension and OPEB expense.

Unrestricted net position increased by \$219 thousand in 2020 and decreased \$399 thousand in 2019. Unrestricted net position may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents increased by \$224 thousand in 2020 which is primarily due to decreases in cash basis disbursements in 2020. Cash and Cash equivalents increased by only \$35 thousand in 2019.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Table 2 below summarizes the changes in Revenues, Expenses and Net Position.

	<b>Table 2</b>				
	<b>2020</b>	<b>2019</b>	<b>Change</b>	<b>2018 *</b>	<b>Change</b>
Operating Revenues	\$ 2,777,666	\$ 2,690,483	\$ 87,183	\$ 2,721,369	\$ (30,886)
Total Operating Revenues	2,777,666	2,690,483	87,183	2,721,369	(30,886)
Non-Operating Revenues	63,249	53,994	9,255	31,411	22,583
Total Revenues	2,840,915	2,744,477	96,438	2,752,780	(8,303)
Operating Expenses					
(Excluding Depreciation)	2,415,533	2,892,481	(476,948)	2,404,714	487,767
Depreciation Expense	410,309	428,944	(18,635)	425,272	3,672
Total Operating Expenses	2,825,842	3,321,425	(495,583)	2,829,986	491,439
Non-Operating Expenses	31,057	34,441	(3,384)	43,549	(9,108)
Total Expenses	2,856,899	3,355,866	(498,967)	2,873,535	482,331
Changes in Net Position	(15,984)	(611,389)	595,405	(120,755)	(490,634)
Net Position Beginning of Year	8,357,079	8,968,468	(611,389)	9,089,223	(120,755)
Net Position End of Year	\$ 8,341,095	\$ 8,357,079	\$ (15,984)	\$ 8,968,468	\$ (611,389)

\* - Beginning net position for 2018 was restated due to the implementation of GASB 75.

Operating revenues increased \$87 thousand in 2020 due to increased charges for services and decreased by \$31 thousand in 2019 due to continued leveling out of charges for services.

Operating expenses decreased by about \$495 thousand in 2020 primarily due to pension decreases resulting from actuarial calculations as well as a slight decrease in salaries and wages and purchased water. Operating expenses increased about \$491 thousand in 2019 primarily due to pension and OPEB expense due to actuarial calculations as well as a slight increase in salaries and wages and purchased water.

Non-Operating revenues increased by \$9 thousand in 2020 due primarily to increases in interest income.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

**CAPITAL ASSETS**

The District had \$16.9 million invested in total Capital Assets (before depreciation) at the end of 2020 and \$16.8 million at the end of 2019, an increase of \$72 thousand (less than 1.0%) in 2020 and an increase of \$22 thousand (less than 1.0%) in 2019. These increases are due to continued updates to the Water District's infrastructure.

**Table 3**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Non-Depreciable Capital Assets					
Land	\$120,754	\$120,754	\$0	\$120,754	\$0
Total Non-Depreciable Capital Assets	120,754	120,754	-	120,754	-
Depreciable Capital Assets					
Utility plant – lines	12,837,784	12,831,638	6,146	12,823,038	8,600
Utility plant - towers	1,649,945	1,649,945	-	1,649,945	-
Utility plant - meters	381,189	348,636	32,553	347,342	1,294
Utility plant - office and garage	276,351	276,351	-	276,351	-
Office equipment and furniture	153,392	132,857	20,535	144,332	(11,475)
Radio telemetry system	439,332	427,497	11,835	346,485	81,012
Trucks and equipment	1,184,550	1,183,550	1,000	1,240,604	(57,054)
Totals Before Accumulated Depreciation	16,922,543	16,850,474	72,069	16,828,097	22,377
Accumulated Depreciation	(9,445,840)	(9,035,531)	(410,309)	(8,701,658)	(333,873)
Net Depreciable Capital Assets	7,476,703	7,814,943	(338,240)	8,126,439	(311,496)
<b>Total Capital Assets</b>	<u>\$7,597,457</u>	<u>\$7,935,697</u>	<u>\$ (338,240)</u>	<u>\$8,247,193</u>	<u>\$ (311,496)</u>

For additional information regarding capital assets please see Note C to the Basic Financial Statements.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

---

**DEBT**

At December 31, 2020 total debt outstanding of \$701,326 compared to \$804,188 at December 31, 2019.

**Table 4**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
Ohio Public Works					
Commission (OPWC)	\$ 81,605	\$ 111,349	\$ (29,744)	\$ 141,093	\$ (29,744)
Ohio Water Development					
Authority (OWDA)	619,720	692,839	(73,119)	762,574	(69,735)
Total Long Term Debt	<u>701,325</u>	<u>804,188</u>	<u>(102,863)</u>	<u>903,667</u>	<u>(99,479)</u>
Less: Current Maturities	<u>106,426</u>	<u>102,863</u>	<u>3,563</u>	<u>99,479</u>	<u>3,384</u>
Net Total Long Term Debt	<u>\$ 594,899</u>	<u>\$ 701,325</u>	<u>\$ (106,426)</u>	<u>\$ 804,188</u>	<u>\$ (102,863)</u>

The District's debt is paid from operating revenues generated by the Water District. For additional information regarding debt please see Note D to the Basic Financial Statements.

**CASH**

Cash and cash equivalents were \$2,682,242 on December 31, 2020 and \$2,458,274 on December 31, 2019.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Patti Slye, Office Manager, Northwest Regional Water District, P.O. Box 158, McDermott, Ohio 45652 or (740) 259-2789.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,682,242	\$ 2,458,274
Accounts receivable, net allowance for doubtful accounts	515,680	454,353
Prepaid expenses	21,438	21,065
TOTAL CURRENT ASSETS	3,219,360	2,933,692
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Non-depreciable capital assets	120,754	120,754
Depreciable capital assets, net	7,476,703	7,814,943
TOTAL NONCURRENT ASSETS	7,597,457	7,935,697
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	201,234	430,751
OPEB	130,636	64,677
TOTAL DEFERRED OUTFLOWS OF RESOURCES	331,870	495,428
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	\$ 11,148,687	\$ 11,364,817
	<b>2020</b>	<b>2019</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable - current portion	\$ 106,426	\$ 102,863
Accounts Payable	75,551	63,582
Accrued Expenses	82,538	79,780
TOTAL CURRENT LIABILITIES	264,515	246,225
<b>LONG-TERM LIABILITIES</b>		
Net Pension Liability	996,190	1,303,394
Net OPEB Liability	648,363	577,828
Notes payable - less current portion	594,899	701,325
TOTAL LONG-TERM LIABILITIES	2,239,452	2,582,547
TOTAL LIABILITIES	2,503,967	2,828,772
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	211,314	177,398
OPEB	92,311	1,568
TOTAL DEFERRED INFLOWS OF RESOURCES	303,625	178,966
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,896,132	7,131,509
Unrestricted	1,444,963	1,225,570
TOTAL NET POSITION	8,341,095	8,357,079
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES and NET POSITION	\$ 11,148,687	\$ 11,364,817

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>OPERATING REVENUES</b>		
Water	\$ 2,640,647	\$ 2,532,552
Tap fees	34,490	26,181
Service charges	30,540	23,910
Late charges	64,391	80,103
Other	7,598	27,737
TOTAL OPERATING REVENUES	2,777,666	2,690,483
<b>OPERATING EXPENSE</b>		
Salaries, wages and benefits	1,069,151	1,133,602
Utilities	166,739	148,297
Depreciation expense	410,309	428,944
Purchased water	695,163	706,479
Telemetry	11,168	9,009
Maintenance	152,445	175,055
Truck and equipment expense	40,955	49,871
Billing expense	34,844	23,756
Pension expense	54,312	472,126
OPEB expense	95,319	63,560
Payroll taxes	10,138	10,659
Insurance	21,794	18,709
Office supplies and postage	41,829	41,909
Legal and accounting fees	11,752	16,463
Travel and auto expense	1,308	1,384
Other expenses	8,616	21,602
TOTAL OPERATING EXPENSES	2,825,842	3,321,425
Operating Income (Loss)	\$ (48,176)	\$ (630,942)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	54,159	43,881
Intergovernmental	9,090	10,113
Interest expense	(31,057)	(34,441)
Net other income (expense)	32,192	19,553
CHANGES IN NET POSITION	(15,984)	(611,389)
NET POSITION, BEGINNING OF YEAR	8,357,079	8,968,468
NET POSITION, END OF YEAR	\$ 8,341,095	\$ 8,357,079

See accompanying notes to the basic financial statements.



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,708,741	\$ 2,676,049
Cash received from other income	7,598	27,737
Cash payments to suppliers for goods and services	(1,270,336)	(1,276,523)
Cash payments for employee services and benefits	(1,079,295)	(1,194,687)
Net cash provided by operating activities	366,708	232,576
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments - OPWC loans	(29,744)	(29,744)
Principal payments - OWDA loans	(73,117)	(69,735)
Interest payments - OWDA loans	(21,969)	(24,328)
Acquisition of Capital Assets	(72,069)	(117,448)
Net cash used for capital and related financing activities	(196,899)	(241,255)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on cash and investments	54,159	43,881
	54,159	43,881
Net increase in cash and cash equivalents	223,968	35,202
Cash and cash equivalents, beginning of year	2,458,274	2,423,072
Cash and cash equivalents, end of year	\$ 2,682,242	\$ 2,458,274

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (48,176)	\$ (630,942)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>		
Depreciation	410,309	428,944
<b>Changes in assets and liabilities:</b>		
(Increase)/Decrease in accounts receivable	(61,327)	13,303
Decrease in prepaids	(373)	(186)
(Increase) in Deferred Outflows of Resources-Pension	229,517	(232,639)
(Increase) in Deferred Outflows of Resources-OPEB	(65,959)	(23,438)
Increase/(Decrease) in accounts payable	11,969	(243)
Increase/(Decrease) in accrued expenses	2,758	(14,703)
Increase/(Decrease) in Net Pension Liability	(307,204)	594,294
Increase/(Decrease) in Net OPEB Liability	70,535	119,567
Increase/(Decrease) in Deferred Inflows of Resources-Pension	33,916	11,188
Increase/(Decrease) in Deferred Inflows of Resources-OPEB	90,743	(32,569)
Total adjustments	414,884	863,518
Net cash provided by operating activities	\$ 366,708	\$ 232,576
<b>NONCASH TRANSACTIONS</b>		
Intergovernmental revenue - interest subsidy	\$ 9,090	\$ 10,113
Interest expense - interest subsidy	\$ (9,090)	\$ (10,113)

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE A – NATURE OF ORGANIZATION**

Northwest Regional Water District (hereafter referred to as NRWD or the District) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq. of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks 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 parts of the following political subdivisions:

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations and water and sewer related activities of the District.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision of the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payables solely from District revenues.

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. Based upon the application of these criteria, the District has no component units.

The significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

**Proprietary Fund Type** – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

**Enterprise Fund** – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

**4. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2020 and 2019, and passed annual appropriations and resolutions.

**Appropriations** – Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

**Estimated Resources** – Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances** – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

**5. Cash and Cash Equivalents**

Cash balances of the District's enterprise fund are presented as "Cash and Cash Equivalents" on the statement of net position. Interest income earned by the District totaled \$54,159 and \$43,881, respectively, for the years ended December 31, 2020 and 2019.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal year 2020 and 2019, investments were limited to STAR Ohio, Morgan Stanley Smith Barney investment account, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2020 and 2019. 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on December 31, 2020 and 2019.

The District also has invested funds with broker Morgan Stanley Smith Barney. The invested funds consist of a money fund, mutual funds and certificate of deposits.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an initial maturity of more than three months are reported as investments.

**6. Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. The District has a capitalization threshold of \$1,000. Donated assets are recorded at their estimated acquisition value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the basic financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Lines	50 years	Office/garage building	19 years
Tanks/towers/meters	50 years	Trucks and equipment	5-10 years
Radio telemetry system	25 years	Office equipment and furniture	5-10 years

**7. Compensated Absences**

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees. In accordance with provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 3.08 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/2 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2020 and 2019, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$50,827 and \$54,749, respectively. These balances are recorded as current liabilities in the accompanying financial statements.

**8. Interest Expense**

Interest expense represents the interest portion on loan payments the Ohio Water Development District (OWDA).

**9. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2020 and 2019, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Accounts Receivable**

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debt expense. The allowance is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situations, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts, with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at net on the statement of net position.

**11. Estimates**

The preparation of the financial statements in accordance 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.

**12. Balance Sheet Classifications**

The Water District is required to classify its balance sheet, detailing current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and restricted and unrestricted net position, as follows:

- (1) Current: Due within one year from December 31, 2020
- (2) Noncurrent: Due after December 31, 2020
- (3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
- (4) Unrestricted: Not restricted for usage

Within the Water District there only exist unrestricted net positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position may, upon Water District authorization, be used by the Water District for any lawful purpose.

**13. Long Term Obligations**

The District records fund obligations not expected to be paid within one year by available financial resources as long-term debt, which consists of OPWC notes and OWDA loans.

**14. Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note I and Note J. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and other postemployment benefits. (See Note I and Note J)

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**16. 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.

**17. Pensions/Other Post Employment Benefits(OPEB)**

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

**THIS SPACE INTENTIONALLY LEFT BLANK**

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2020 was as follows:

	Ending Balance at 12/31/2019	Additions	Deletions	Ending Balance at 12/31/2020
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Total Capital Assets, Not Being Depreciated	120,754	-	-	120,754
Capital Assets, Being Depreciated				
Utility plant - lines	12,831,638	6,146	-	12,837,784
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	348,636	32,553	-	381,189
Utility plant - office and garage	276,351	-	-	276,351
Office equipment and furniture	132,857	20,535	-	153,392
Radio telemetry system	427,497	11,835	-	439,332
Trucks and equipment	1,183,550	1,000	-	1,184,550
Total Capital Assets, Being Depreciated	16,850,474	72,069	-	16,922,543
Less Accumulated Depreciation:				
Utility plant - lines	(6,342,972)	(256,756)	-	(6,599,728)
Utility plant - towers	(668,468)	(32,999)	-	(701,467)
Utility plant - meters	(276,710)	(9,072)	-	(285,782)
Utility plant - office and garage	(217,135)	(11,645)	-	(228,780)
Office equipment and furniture	(116,538)	(5,806)	-	(122,344)
Radio telemetry system	(336,224)	(13,172)	-	(349,396)
Trucks and equipment	(1,077,484)	(80,859)	-	(1,158,343)
Total Accumulated Depreciation	(9,035,531)	(410,309)	-	(9,445,840)
Total Capital Assets Being Depreciated, Net	7,814,943	(338,240)	-	7,476,703
Total Capital Assets	\$ 7,935,697	\$ (338,240)	\$ -	\$ 7,597,457

**THIS SPACE INTENTIONALLY LEFT BLANK**



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**NOTE C – CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended December 31, 2019 was as follows:

	Ending Balance at 12/31/2018	Additions	Deletions	Ending Balance at 12/31/2019
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Total Capital Assets, Not Being Depreciated	120,754	-	-	120,754
Capital Assets, Being Depreciated				
Utility plant - lines	12,823,038	14,200	(5,600)	12,831,638
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	347,342	1,294	-	348,636
Utility plant - office and garage	276,351	-	-	276,351
Office equipment and furniture	144,332	-	(11,475)	132,857
Radio telemetry system	346,485	81,012	-	427,497
Trucks and equipment	1,240,604	20,942	(77,996)	1,183,550
Total Capital Assets, Being Depreciated	16,828,097	117,448	(95,071)	16,850,474
Less Accumulated Depreciation:				
Utility plant - lines	(6,091,939)	(256,633)	5,600	(6,342,972)
Utility plant - towers	(635,469)	(32,999)	-	(668,468)
Utility plant - meters	(268,940)	(7,770)	-	(276,710)
Utility plant - office and garage	(205,490)	(11,645)	-	(217,135)
Office equipment and furniture	(125,868)	(2,145)	11,475	(116,538)
Radio telemetry system	(324,234)	(11,990)	-	(336,224)
Trucks and equipment	(1,049,718)	(105,762)	77,996	(1,077,484)
Total Accumulated Depreciation	(8,701,658)	(428,944)	95,071	(9,035,531)
Total Capital Assets Being Depreciated, Net	8,126,439	(311,496)	-	7,814,943
Total Capital Assets	\$ 8,247,193	\$ (311,496)	\$ -	\$ 7,935,697

**THIS SPACE INTENTIONALLY LEFT BLANK**

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE D – LONG-TERM DEBT**

The District has the following notes payable at December 31, 2020 and 2019:

	2020	2019
0% note payable OPWC, payable in semi-annual installments of \$2,171, due in 2032, secured by property and equipment	\$ 45,593	\$ 49,935
0% note payable OPWC, payable in semi-annual installments of \$10,707, due in 2022, secured by property and equipment	21,414	42,827
6.39% note payable OWDA, payable in semi-annual installments of \$19,309 due in 2026, secured by property and equipment	163,085	189,986
2.86% note payable OWDA, payable in semi-annual installments of \$5,683 due in 2028, secured by property and equipment	71,643	80,764
4.14% note payable OWDA, payable in semi-annual installments of \$27,096 due in 2029, secured by property and equipment	384,992	422,089
0% note payable OPWC, payable in semi-annual installments of \$922 due in 2023, secured by property and equipment	4,609	6,453
0% note payable OPWC, payable in semi-annual installments of \$705 due in 2025, secured by property and equipment	7,046	8,455
0% note payable OPWC, payable in semi-annual installments of \$368 due in 2025, secured by property and equipment	2,943	3,679
	701,325	804,188
Less current maturities	(106,426)	(102,863)
Total long-term debt	\$ 594,899	\$ 701,325

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**NOTE D – LONG-TERM DEBT (Continued)**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2020 are as follows:

	Principal	Interest	Total
2021	\$106,426	\$27,494	\$133,920
2022	88,758	23,749	112,507
2023	91,778	19,806	111,584
2024	95,007	15,656	110,663
2025	98,641	11,288	109,929
2026-2030	218,546	18,271	236,817
2031-2032	2,169	-	2,169
Total	\$701,325	\$116,264	\$817,589

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amount Due Within One Year
OWDA (Direct Borrowing)	\$ 692,839	\$ -	\$ 73,119	\$ 619,720	\$ 76,681
OPWC (Direct Borrowing)	111,349	-	29,744	81,605	29,745
Net Pension Liabilities	1,303,394	-	307,204	996,190	-
Net OPEB Liabilities	577,828	70,535	-	648,363	-
	\$ 2,685,410	\$ 70,535	\$ 410,067	\$ 2,345,878	\$ 106,426

  

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount Due Within One Year
OWDA (Direct Borrowing)	\$ 762,574	\$ -	\$ 69,735	\$ 692,839	\$ 73,119
OPWC (Direct Borrowing)	141,093	-	29,744	111,349	29,744
Net Pension Liabilities	709,100	594,294	-	1,303,394	-
Net OPEB Liabilities	458,261	119,567	-	577,828	-
	\$ 2,071,028	\$ 713,861	\$ 99,479	\$ 2,685,410	\$ 102,863

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The District will receive an estimated \$24,041 of additional interest subsidies through 2029. In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$735,988 at December 31, 2020. For the year ended December 31, 2020 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: \$362,133 and \$95,088, and 3.81, respectively. The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the District shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

In connection with all the OPWC loans the following applies. In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE E – DEPOSITS AND INVESTMENTS**

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

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be evidenced either 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 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, and Government National Mortgage 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE E – DEPOSITS AND INVESTMENTS (Continued)**

**Cash on Hand** At year end, the District has \$450 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** Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. SWLCWSD’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2020, the District’s bank balance of \$1,976,551 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2019, the District’s bank balance of \$1,737,736 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments are reported at fair value. As of December 31, 2020 and 2019, the District had the following investments:

	<b>Fair Value 2020</b>	<b>Maturity</b>
<b>Negotiable Certificates of Deposit</b>	\$254,925	\$0 < 1 year
<b>Fixed Income Securities</b>	401,747	\$656,672 3-5 years
<b>STAR Ohio</b>	95,183	\$95,183 < 1 year
<b>Total</b>	\$751,855	
	<b>Fair Value 2019</b>	<b>Maturity</b>
<b>Negotiable Certificates of Deposit</b>	\$398,750	\$398,750 < 1 year
<b>Fixed Income Securities</b>	246,550	\$246,550 3-5 years
<b>STAR Ohio</b>	94,511	\$94,511 < 1 year
<b>Total</b>	\$739,811	

**Interest Rate Risk:** Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value on an investment. The District does not have an investment policy.

**Credit Risk** STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Morgan Stanley Smith Barney invests in various funds such as mutual funds, money funds and certificate of deposits. Mutual funds and money funds are not insured or guaranteed by the federal government. The negotiable certificates of deposit are insured up to \$250,000 per account owner per institution.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE E – DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District’s allocation as of December 31, 2020 and 2019:

<u>Year</u>	<u>Investment Type</u>	<u>Percentage of Investments</u>
2020	Negotiable CDs	34%
2020	Fixed Income – Corporate Bonds	53%
2020	STAR Ohio	13%
2019	Negotiable CDs	54%
2019	Fixed Income – Corporate Bonds	33%
2019	STAR Ohio	13%

**NOTE F – CONTINGENT LIABILITIES**

There were no contingent liabilities as of December 31, 2020 or December 31, 2019.

**NOTE G – 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. For fiscal year 2020, the District contracted with Kinder’s Insurance Agency for real property, building contents, and vehicle insurance coverage.

The District has not had any significant reductions in insurance coverage from coverage in prior years by major category of risk. Settled claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE H - ACCOUNTS RECEIVABLE**

Accounts receivables are presented at net realizable value and consist of amounts due from customers for sewer fees for services rendered and contracts amounts billed. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. Uncollectible accounts receivable are charged to operations during the period determined to be uncollectible. Uncollectible water account balances are certified to the County Auditor after administrative collection efforts have been exhausted. The balance at year end, including billed and unbilled accounts, are due as follows:

2020 – Accounts receivable, net allowance for doubtful accounts - \$515,680

2019 – Accounts receivable, net allowance for doubtful accounts - \$454,353

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE I - DEFINED BENEFIT RETIREMENT PLAN**

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

***Net Pension Liability/Net OPEB Liability***

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

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

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

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

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

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE I – DEFINED BENEFIT PENSION PLANS - Continued**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investmenst/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Group A	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 01/07/13 or eligible to retire ten years after 01/07/13	Members not in other Groups and members hired on or after 01/07/13
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b>	<b>Formula:</b>	<b>Formula:</b>
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those 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 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE I – DEFINED BENEFIT PENSION PLANS - Continued**

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

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

	Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2020 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was \$98,083 for fiscal year 2020 and \$99,283 for 2019 respectively, of which the entire amount was paid during 2020. Of this amount \$685 and \$6,952 were reported as a payroll related liability for 2020 and 2019, respectively.

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

The net pension liability reported as of December 31, 2020 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2020 PERS	2019 PERS
Proportionate Share of the Net Pension Liability - Current Year	0.0050400%	0.0047590%
Proportionate Share of the Net Pension Liability - Prior Year	0.0047590%	0.0045200%
Change in Proportionate Share Proportion of the Net Pension Liability	0.0002810%	0.0002390%
Pension Expense (Gain)	\$996,190	\$1,303,394
	\$54,312	\$472,126

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE I – DEFINED BENEFIT PENSION PLANS - Continued**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<u>2020</u>	<u>2019</u>
Differences between projected and actual economic experience	\$ -	\$ 60
Changes in assumptions	53,208	113,464
Differences between projected and actual investment earnings	-	176,907
Changes in proportion	49,943	41,037
District contributions subsequent to the measurement date	98,083	99,283
Total	<u>\$ 201,234</u>	<u>\$ 430,751</u>
<b>Deferred Inflows of Resources</b>		
Differences between projected and actual economic experience	\$ 12,596	\$ 17,114
Differences between projected and actual investment earnings	198,718	160,284
Total	<u>\$ 211,314</u>	<u>\$ 177,398</u>

\$98,083 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:

	<u>OPERS</u>
Year Ending December 31:	
2021	\$13,469
2022	(50,956)
2023	8,228
2024	<u>(78,904)</u>
Total	<u>(\$108,163)</u>

**Actuarial Assumptions - OPERS**

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE I – DEFINED BENEFIT PENSION PLANS -Continued**

**Actuarial Assumptions – OPERS - Continued**

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below for the OPERS Traditional Plan.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation at 3.25
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

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

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

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**NOTE I – DEFINED BENEFIT PENSION PLANS -Continued**

**Actuarial Assumptions – OPERS - Continued**

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	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	<u>100.00 %</u>	<u>5.61 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future 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 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>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
District's proportionate share of the net pension liability	\$1,643,040	\$996,190	\$414,691

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE J - DEFINED BENEFIT OPEB PLANS**

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

**Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 is 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$0 for 2020.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**NOTE J - DEFINED BENEFIT OPEB PLANS – Continued**

***Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. for the defined benefit health care plans. In accordance with GASB Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Member-Directed Plan health care is a defined benefit health care plan, although the pension plan is defined contribution. Interest of 4% is credited to member accounts as long as the Health Care portfolio earns a positive return. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<b>2020</b>	<b>2019</b>
	<b>PERS</b>	<b>PERS</b>
Proportionate Share of the Net OPEB Liability - Current Year	0.0046940%	0.0044320%
Proportionate Share of the Net OPEB Liability - Prior Year	<u>0.0044320%</u>	<u>0.0042200%</u>
Change in Proportionate Share	<u>0.0002620%</u>	<u>0.0002120%</u>
Proportion of the Net OPEB Liability	\$648,363	\$577,828
OPEB Expense (Gain)	\$95,319	\$63,560

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

	<b>2020</b>	<b>2019</b>
	<b>PERS</b>	<b>PERS</b>
<b>Deferred Outflows of Resources</b>		
Differences between expected and actual economic experience	\$ 16	\$ 196
Changes of assumptions	102,628	18,630
Differences between projected and actual investment earnings	-	26,490
Change in proportion	<u>27,992</u>	<u>19,361</u>
Total	<u>\$ 130,636</u>	<u>\$ 64,677</u>
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual economic experience	\$ 59,296	\$ 1,568
Differences between projected and actual investment earnings	<u>33,015</u>	<u>\$ -</u>
Total	<u>\$ 92,311</u>	<u>\$ 1,568</u>

There were no deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date since none were made subsequent to the measurement date.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE J - DEFINED BENEFIT OPEB PLANS - Continued**

***Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability - Continued***

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

	<b><u>OPERS</u></b>
Fiscal Year Ending December:	
2021	\$ 36,341
2022	16,067
2023	26
2024	<u>(14,109)</u>
	<b><u>\$ 38,325</u></b>

***Actuarial Assumptions - PERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019.

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial
	3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial
	3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five-year period ended December 31, 2015.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**NOTE J - DEFINED BENEFIT OPEB PLANS – Continued**

***Actuarial Assumptions – PERS - 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, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

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

**Discount Rate** A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2020 and 2019

---

**NOTE J - DEFINED BENEFIT OPEB PLANS - Continued**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates***

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

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
District's proportionate share of the net OPEB liability	\$848,487	\$648,363	\$488,129

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$629,231	\$648,363	\$667,252

**NOTE K – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The investment portfolio of the District's pension and OPEB plans will fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and recovery from emergency funding (if any), either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System*  
*Last Four Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total plan pension liability	\$ 110,887,288,085	\$ 108,264,577,647	\$ 102,273,912,351	\$99,817,932,954
Plan net position	91,121,609,718	80,876,605,054	86,585,851,024	77,109,633,485
Net pension liability	\$ 19,765,678,367	\$ 27,387,972,593	\$ 15,688,061,327	\$22,708,299,469
District's proportion of the net pension liability	0.005040%	0.004759%	0.004520%	0.004397%
District's proportionate share of the net pension liability	\$ 996,190	\$ 1,303,394	\$ 709,100	\$ 998,484
District's covered payroll	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	140.47%	188.28%	109.57%	150.57%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%

(1) Information prior to 2016 is not available.  
Amounts presented as of the District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's Pension Contributions*  
*Ohio Public Employees Retirement System*  
*Last Five Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 98,083	\$ 99,283	\$ 89,992	\$ 77,660	\$ 79,577
Contributions in relation to the contractually required contribution	<u>(98,083)</u>	<u>(99,283)</u>	<u>(89,992)</u>	<u>(77,660)</u>	<u>(79,577)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employees Retirement System*  
*Last Four Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total plan OPEB liability	\$ 26,459,655,619	\$ 24,290,625,123	\$ 23,678,097,060	\$ 21,980,827,536
Plan net position	<u>12,647,057,751</u>	<u>11,252,985,702</u>	<u>12,818,833,665</u>	<u>11,880,487,863</u>
Net OPEB liability	13,812,597,868	13,037,639,421	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00469400%	0.00443200%	0.00422000%	0.00411000%
District's proportionate share of the net OPEB liability	\$ 648,363	\$ 577,828	\$ 458,261	\$ 415,124
District's covered payroll	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.43%	83.47%	70.81%	62.60%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2016 is not available.  
Amounts presented as of the District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's OPEB Contributions*  
*Ohio Public Employees Retirement System*  
*Last Five Years (1)*

---

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ 5,971	\$ 16,758
Contributions in relation to the contractually required contribution	-	-	-	(5,971)	(16,758)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.90%	2.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%. There were no changes in assumptions for 2020.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2017-2020.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

---

This discussion and analysis, along with the accompanying financial reports, of Northwest Regional Water District ("The District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by December 31, 2019 by \$8.36 million and on December 31, 2018 by \$8.96 million. The District's net position decreased by \$611 thousand (6.8%) in 2019 and by \$121 thousand (1.3%) in 2018.

The District's Operating Revenues decreased in 2019 by \$31 thousand (1.1%) and in 2018 they decreased by \$24 thousand (.9%). Operating and Maintenance Expenses (excluding depreciation expense) increased \$488 thousand (20.3%) in 2019 and in 2018 (excluding depreciation expense) increased \$110 thousand (4.8%). Depreciation expense increased \$4 thousand (.9%) in 2019 and increased in 2018 by \$20 thousand (4.9%).

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net position are the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past year and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and capital financing activities.



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

**STATEMENTS OF NET POSITION**

Table 1 summarizes the Statements of Net Position of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less accumulated depreciation and outstanding debt that was used to acquire those assets.

**Table 1**

	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>2017</b>	<b>Change</b>
Current and Other Assets	\$ 2,933,692	\$ 2,911,607	\$ 22,085	\$ 2,760,439	\$ 151,168
Capital Assets, Net	7,935,697	8,247,193	(311,496)	8,518,360	(271,167)
<b>Total Assets</b>	<b>10,869,389</b>	<b>11,158,800</b>	<b>(289,411)</b>	<b>11,278,799</b>	<b>(119,999)</b>
Deferred Outflows of Resources - Pension	430,751	198,112	232,639	409,590	(211,478)
Deferred Outflows of Resources - OPEB	64,677	41,239	23,438	-	41,239
Deferred Outflows of Resources - Total	495,428	239,351	256,077	409,590	(170,239)
Long Term Liabilities:					
Other Long-Term Liabilities	701,325	804,188	(102,863)	903,666	(99,478)
Net Pension Liability	1,303,394	709,100	594,294	998,484	(289,384)
Net OPEB Liability	577,828	458,261	119,567	-	458,261
Other Current Liabilities	246,225	257,787	(11,562)	281,921	(24,134)
<b>Total Liabilities</b>	<b>2,828,772</b>	<b>2,229,336</b>	<b>599,436</b>	<b>2,184,071</b>	<b>45,265</b>
Deferred Inflows of Resources - Pension	177,398	166,210	11,188	5,942	160,268
Deferred Inflows of Resources - OPEB	1,568	34,137	(32,569)	-	34,137
Deferred Inflows of Resources - Total	178,966	200,347	(21,381)	5,942	194,405
Net Position					
Invested in Capital Assets,					
Net of Related Debt	7,131,509	7,343,526	(212,017)	7,518,433	(174,907)
Unrestricted	1,225,570	1,624,942	(399,372)	1,979,943	(355,001)
<b>Total Net Position</b>	<b>\$ 8,357,079</b>	<b>\$ 8,968,468</b>	<b>\$ (611,389)</b>	<b>\$ 9,498,376</b>	<b>\$ (529,908)</b>

The net pension liability (NPL) is a significant liability reported by the District at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has another liability reported at December 31, 2019 reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

---

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.

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.

The District's Net Position as reported on page 2 decreased by \$611 thousand (6.8%) in 2019 and decreased by \$530 thousand (5.6%) in 2018. The decrease in 2019 was primarily due to an increase in pension and OPEB expense. The decrease in 2018 was primarily due to depreciation which decreased net capital assets as well as the implementation of GASB 75 which increased other post-employment benefit liabilities.

Unrestricted net position decreased by \$399 thousand in 2019 and decreased \$355 thousand in 2018. Unrestricted net position may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents increased by only \$35 thousand in 2019 which is primarily due to increases in cash basis disbursements in 2019. Cash and Cash equivalents increased by \$188 thousand in 2018.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Table 2 below summarizes the changes in Revenues, Expenses and Net Position.

	<b>Table 2</b>				
	<b>2019</b>	<b>2018 *</b>	<b>Change</b>	<b>2017</b>	<b>Change</b>
Operating Revenues	\$ 2,690,483	\$ 2,721,369	\$ (30,886)	\$ 2,745,725	\$ (24,356)
Total Operating Revenues	2,690,483	2,721,369	(30,886)	2,745,725	(24,356)
Non-Operating Revenues	53,994	31,411	22,583	19,566	11,845
Total Revenues	2,744,477	2,752,780	(8,303)	2,765,291	(12,511)
Operating Expenses					
(Excluding Depreciation)	2,892,481	2,404,714	487,767	2,294,435	110,279
Depreciation Expense	428,944	425,272	3,672	405,359	19,913
Total Operating Expenses	3,321,425	2,829,986	491,439	2,699,794	130,192
Non-Operating Expenses	34,441	43,549	(9,108)	39,964	3,585
Total Expenses	3,355,866	2,873,535	482,331	2,739,758	133,777
Capital Contributions	-	-	-	250,000	(250,000)
Changes in Net Position	(611,389)	(120,755)	(490,634)	275,533	(396,288)
Net Position Beginning of Year	8,968,468	9,089,223	(120,755)	9,222,843	(133,620)
Net Position End of Year	<u>\$ 8,357,079</u>	<u>\$ 8,968,468</u>	<u>\$ (611,389)</u>	<u>\$ 9,498,376</u>	<u>\$ (529,908)</u>

\* - Beginning net position for 2018 was restated due to the implementation of GASB 75.

Operating revenues decreased \$31 thousand in 2019 due to continued leveling out of charges for services and decreased by \$24 thousand in 2018 due to the same.

Operating expenses increased by about \$491 thousand in 2019 primarily due to pension and OPEB expense due to actuarial calculations as well as a slight increase in salaries and wages and purchased water. Operating expenses increased about \$130 thousand in 2018 primarily due to increases in salaries and wages, purchased water and OPEB expense which was partially offset by a decrease in pension expense.

Non-Operating revenues increased by \$22 thousand in 2019 due primarily to increases in interest income.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

**CAPITAL ASSETS**

The District had \$17.0 million invested in total Capital Assets (before depreciation) at the end of 2019 and \$16.9 million at the end of 2018, an increase of \$22 thousand (less than 1.0%) in 2019 and an increase of \$154 thousand (less than 1.0%) in 2018. These increases are due to continued updates to the Water District's infrastructure.

**Table 3**

	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>2017</b>	<b>Change</b>
<b>Non-Depreciable Capital Assets</b>					
Land	\$120,754	\$120,754	\$0	\$120,754	\$0
Constructions in progress	-	-	-	348,725	(348,725)
<b>Total Non-Depreciable Capital Assets</b>	<b>120,754</b>	<b>120,754</b>	<b>-</b>	<b>469,479</b>	<b>(348,725)</b>
<b>Depreciable Capital Assets</b>					
Utility plant – lines	12,831,638	12,823,038	8,600	12,397,986	425,052
Utility plant - towers	1,649,945	1,649,945	-	1,649,945	-
Utility plant - meters	348,636	347,342	1,294	347,342	-
Utility plant - office and garage	276,351	276,351	-	268,433	7,918
Office equipment and furniture	132,857	144,332	(11,475)	132,857	11,475
Radio telemetry system	427,497	346,485	81,012	346,485	-
Trucks and equipment	1,183,550	1,240,604	(57,054)	1,182,219	58,385
<b>Totals Before Accumulated Depreciation</b>	<b>16,850,474</b>	<b>16,828,097</b>	<b>22,377</b>	<b>16,325,267</b>	<b>502,830</b>
Accumulated Depreciation	(9,035,531)	(8,701,658)	(333,873)	(8,276,386)	(425,272)
<b>Net Depreciable Capital Assets</b>	<b>7,814,943</b>	<b>8,126,439</b>	<b>(311,496)</b>	<b>8,048,881</b>	<b>77,558</b>
<b>Total Capital Assets</b>	<b>\$7,935,697</b>	<b>\$8,247,193</b>	<b>\$ (311,496)</b>	<b>\$8,518,360</b>	<b>\$ (271,167)</b>

For additional information regarding capital assets please see Note C to the Basic Financial Statements.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

---

**DEBT**

At December 31, 2019 total debt outstanding of \$804,188 compared to \$903,667 at December 31, 2018.

**Table 4**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
Ohio Public Works					
Commission (OPWC)	\$ 111,349	\$ 141,093	\$ (29,744)	\$ 170,836	\$ (29,743)
Ohio Water Development					
Authority (OWDA)	692,839	762,574	(69,735)	829,091	(66,517)
Total Long Term Debt	<u>804,188</u>	<u>903,667</u>	<u>(99,479)</u>	<u>999,927</u>	<u>(96,260)</u>
Less: Current Maturities	<u>102,863</u>	<u>99,479</u>	<u>3,384</u>	<u>96,261</u>	<u>3,218</u>
Net Total Long Term Debt	<u>\$ 701,325</u>	<u>\$ 804,188</u>	<u>\$ (102,863)</u>	<u>\$ 903,666</u>	<u>\$ (99,478)</u>

The District's debt is paid from operating revenues generated by the Water District. For additional information regarding debt please see Note D to the Basic Financial Statements.

**CASH**

Cash and cash equivalents were \$2,458,274 on December 31, 2019 and \$2,423,072 on December 31, 2018.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Patti Slye, Office Manager, Northwest Regional Water District, P.O. Box 158, McDermott, Ohio 45652 or (740) 259-2789.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,458,274	\$ 2,423,072
Accounts receivable, net allowance for doubtful accounts	454,353	467,656
Prepaid expenses	21,065	20,879
<b>TOTAL CURRENT ASSETS</b>	<b>2,933,692</b>	<b>2,911,607</b>
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Non-depreciable capital assets	120,754	120,754
Depreciable capital assets, net	7,814,943	8,126,439
<b>TOTAL NONCURRENT ASSETS</b>	<b>7,935,697</b>	<b>8,247,193</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	430,751	198,112
OPEB	64,677	41,239
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>495,428</b>	<b>239,351</b>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 11,364,817</b>	<b>\$ 11,398,151</b>
	<b>2019</b>	<b>2018</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable - current portion	\$ 102,863	\$ 99,479
Accounts Payable	63,582	63,825
Accrued Expenses	79,780	94,483
<b>TOTAL CURRENT LIABILITIES</b>	<b>246,225</b>	<b>257,787</b>
<b>LONG-TERM LIABILITIES</b>		
Net Pension Liability	1,303,394	709,100
Net OPEB Liability	577,828	458,261
Notes payable - less current portion	701,325	804,188
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,582,547</b>	<b>1,971,549</b>
<b>TOTAL LIABILITIES</b>	<b>2,828,772</b>	<b>2,229,336</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	177,398	166,210
OPEB	1,568	34,137
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>178,966</b>	<b>200,347</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,131,509	7,343,526
Unrestricted	1,225,570	1,624,942
<b>TOTAL NET POSITION</b>	<b>8,357,079</b>	<b>8,968,468</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES and NET POSITION</b>	<b>\$ 11,364,817</b>	<b>\$ 11,398,151</b>

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>		
Water	\$ 2,532,552	\$ 2,566,747
Tap fees	26,181	38,508
Service charges	23,910	23,260
Late charges	80,103	88,044
Other	27,737	4,810
TOTAL OPERATING REVENUES	2,690,483	2,721,369
<b>OPERATING EXPENSE</b>		
Salaries, wages and benefits	1,133,602	1,033,985
Utilities	148,297	168,796
Depreciation expense	428,944	425,272
Purchased water	706,479	666,156
Telemetry	9,009	24,803
Maintenance	175,055	143,071
Truck and equipment expense	49,871	46,434
Billing expense	23,756	19,677
Pension expense	472,126	172,354
OPEB expense	63,560	42,006
Payroll taxes	10,659	9,574
Insurance	18,709	20,645
Office supplies and postage	41,909	31,238
Legal and accounting fees	16,463	6,312
Travel and auto expense	1,384	1,445
Other expenses	21,602	18,218
TOTAL OPERATING EXPENSES	3,321,425	2,829,986
Operating Income (Loss)	\$ (630,942)	\$ (108,617)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	43,881	14,439
Intergovernmental	10,113	16,972
Interest expense	(34,441)	(43,549)
Net other income (expense)	19,553	(12,138)
CHANGES IN NET POSITION	(611,389)	(120,755)
NET POSITION, BEGINNING OF YEAR	8,968,468	9,089,223
NET POSITION, END OF YEAR	\$ 8,357,079	\$ 8,968,468

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,676,049	\$ 2,753,462
Cash received from other income	27,737	4,810
Cash payments to suppliers for goods and services	(1,276,523)	(1,181,839)
Cash payments for employee services and benefits	(1,194,687)	(1,126,001)
Net cash provided by operating activities	232,576	450,432
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments - OPWC loans	(29,744)	(29,743)
Principal payments - OWDA loans	(69,735)	(66,517)
Interest payments - OWDA loans	(24,328)	(26,577)
Acquisition of Capital Assets	(117,448)	(154,105)
Net cash used for capital and related financing activities	(241,255)	(276,942)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on cash and investments	43,881	14,439
	43,881	14,439
Net increase in cash and cash equivalents	35,202	187,929
Cash and cash equivalents, beginning of year	2,423,072	2,235,143
Cash and cash equivalents, end of year	\$ 2,458,274	\$ 2,423,072



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (630,942)	\$ (108,617)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>		
Depreciation	428,944	425,272
<b>Changes in assets and liabilities:</b>		
(Increase)/Decrease in accounts receivable	13,303	36,903
(Increase)/Decrease in prepaids	(186)	(142)
(Increase) in Deferred Outflows of Resources-Pension	(232,639)	211,478
(Increase) in Deferred Outflows of Resources-OPEB	(23,438)	(35,268)
Increase/(Decrease) in accounts payable	(243)	7,104
Increase/(Decrease) in accrued expenses	(14,703)	(34,456)
Increase/(Decrease) in Net Pension Liability	594,294	(289,384)
Increase/(Decrease) in Net OPEB Liability	119,567	43,137
Increase/(Decrease) in Deferred Inflows of Resources-Pension	11,188	160,268
Increase/(Decrease) in Deferred Inflows of Resources-OPEB	(32,569)	34,137
Total adjustments	863,518	559,049
Net cash provided by operating activities	\$ 232,576	\$ 450,432
<b>NONCASH TRANSACTIONS</b>		
Intergovernmental revenue - interest subsidy	\$ 10,113	\$ 16,972
Interest expense - interest subsidy	\$ (10,113)	\$ (16,972)

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE A – NATURE OF ORGANIZATION**

Northwest Regional Water District (hereafter referred to as NRWD or the District) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq. of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks 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 parts of the following political subdivisions:

Rush Township	Washington Township
Union Township	Franklin Township
Morgan Township	Jefferson Township
Rarden Village	Brushcreek Township
Otway Village	Camp Creek Township

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations and water and sewer related activities of the District.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision of the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payables solely from District revenues.

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. Based upon the application of these criteria, the District has no component units.

The significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which the District uses, is described below:

**Proprietary Fund Type** – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

**Enterprise Fund** – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

**4. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2019 and 2018, and passed annual appropriations and resolutions.

**Appropriations** – Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

**Estimated Resources** – Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances** – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

**5. Cash and Cash Equivalents**

Cash balances of the District’s enterprise fund are presented as “Cash and Cash Equivalents” on the statement of net position. Interest income earned by the District totaled \$43,881 and \$14,439, respectively, for the years ended December 31, 2019 and 2018.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal year 2019 and 2018, investments were limited to STAR Ohio, Morgan Stanley Smith Barney investment account, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2019 and 2018. 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on December 31, 2019 and 2018.

The District also has invested funds with broker Morgan Stanley Smith Barney. The invested funds consist of a money fund, mutual funds and certificate of deposits.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an initial maturity of more than three months are reported as investments.

**6. Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing service are recorded at cost. The District has a capitalization threshold of \$1,000. Donated assets are recorded at their estimated acquisition value at the time received. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the basic financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

Lines	50 years	Office/garage building	19 years
Tanks/towers/meters	50 years	Trucks and equipment	5-10 years
Radio telemetry system	25 years	Office equipment and furniture	5-10 years

**7. Compensated Absences**

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and its employees. In accordance with provisions of GASB Statement No. 16, “Accounting for Compensated Absences,” a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 3.08 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/2 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2019 and 2018, the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$54,749 and \$72,568, respectively. These balances are recorded as current liabilities in the accompanying financial statements.

**8. Interest Expense**

Interest expense represents the interest portion on loan payments the Ohio Water Development District (OWDA).

**9. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2019 and 2018, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Accounts Receivable**

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Increases to the allowance are recorded by a provision for bad debt expense. The allowance is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situations, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collected in full and may periodically allocate portions of the allowance for specific problem accounts, with the whole allowance available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Receivables are presented at net on the statement of net position.

**11. Estimates**

The preparation of the financial statements in accordance 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.

**12. Balance Sheet Classifications**

The Water District is required to classify its balance sheet, detailing current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources and restricted and unrestricted net position, as follows:

- (1) Current: Due within one year from December 31, 2019
- (2) Noncurrent: Due after December 31, 2019
- (3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
- (4) Unrestricted: Not restricted for usage

Within the Water District there only exist unrestricted net positions. Restricted net position would be used to cover eligible expenses before unrestricted net position would be used. The unrestricted net position may, upon Water District authorization, be used by the Water District for any lawful purpose.

**13. Long Term Obligations**

The District records fund obligations not expected to be paid within one year by available financial resources as long-term debt, which consists of OPWC notes and OWDA loans.

**14. Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note I and Note J. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and other postemployment benefits. (See Note I and Note J)

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**15. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**16. 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.

**17. Pensions/Other Post Employment Benefits(OPEB)**

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2019 was as follows:

	Ending Balance at 12/31/2018	Additions	Deletions	Ending Balance at 12/31/2019
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Total Capital Assets, Not Being Depreciated	120,754	-	-	120,754
Capital Assets, Being Depreciated				
Utility plant - lines	12,823,038	14,200	(5,600)	12,831,638
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	347,342	1,294	-	348,636
Utility plant - office and garage	276,351	-	-	276,351
Office equipment and furniture	144,332	-	(11,475)	132,857
Radio telemetry system	346,485	81,012	-	427,497
Trucks and equipment	1,240,604	20,942	(77,996)	1,183,550
Total Capital Assets, Being Depreciated	16,828,097	117,448	(95,071)	16,850,474
Less Accumulated Depreciation:				
Utility plant - lines	(6,091,939)	(256,633)	5,600	(6,342,972)
Utility plant - towers	(635,469)	(32,999)	-	(668,468)
Utility plant - meters	(268,940)	(7,770)	-	(276,710)
Utility plant - office and garage	(205,490)	(11,645)	-	(217,135)
Office equipment and furniture	(125,868)	(2,145)	11,475	(116,538)
Radio telemetry system	(324,234)	(11,990)	-	(336,224)
Trucks and equipment	(1,049,718)	(105,762)	77,996	(1,077,484)
Total Accumulated Depreciation	(8,701,658)	(428,944)	95,071	(9,035,531)
Total Capital Assets Being Depreciated, Net	8,126,439	(311,496)	-	7,814,943
Total Capital Assets	\$ 8,247,193	\$ (311,496)	\$ -	\$ 7,935,697

**THIS SPACE INTENTIONALLY LEFT BLANK**

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE C – CAPITAL ASSETS (Continued)**

Capital assets activity for the year ended December 31, 2018 was as follows:

	Ending Balance at 12/31/2017	Additions	Deletions	Ending Balance at 12/31/2018
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Construction in Progress	348,725	76,327	(425,052)	-
Total Capital Assets, Not Being Depreciated	469,479	76,327	(425,052)	120,754
Capital Assets, Being Depreciated				
Utility plant - lines	12,397,986	425,052	-	12,823,038
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	347,342	-	-	347,342
Utility plant - office and garage	268,433	7,918	-	276,351
Office equipment and furniture	132,857	11,475	-	144,332
Radio telemetry system	346,485	-	-	346,485
Trucks and equipment	1,182,219	58,385	-	1,240,604
Total Capital Assets, Being Depreciated	16,325,267	502,830	-	16,828,097
Less Accumulated Depreciation:				
Utility plant - lines	(5,835,473)	(256,466)	-	(6,091,939)
Utility plant - towers	(602,470)	(32,999)	-	(635,469)
Utility plant - meters	(260,859)	(8,081)	-	(268,940)
Utility plant - office and garage	(193,844)	(11,646)	-	(205,490)
Office equipment and furniture	(118,369)	(7,499)	-	(125,868)
Radio telemetry system	(319,165)	(5,069)	-	(324,234)
Trucks and equipment	(946,206)	(103,512)	-	(1,049,718)
Total Accumulated Depreciation	(8,276,386)	(425,272)	-	(8,701,658)
Total Capital Assets Being Depreciated, Net	8,048,881	77,558	-	8,126,439
Total Capital Assets	\$ 8,518,360	\$ 153,885	\$ (425,052)	\$ 8,247,193

**THIS SPACE INTENTIONALLY LEFT BLANK**



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE D – LONG-TERM DEBT**

The District has the following notes payable at December 31, 2019 and 2018:

	2019	2018
0% note payable OPWC, payable in semi□ annual installments of \$2,171, due in 2032, secured by property and equipment	\$ 49,935	\$ 54,278
0% note payable OPWC, payable in semi□ annual installments of \$10,707, due in 2022, secured by property and equipment	42,827	64,240
6.39% note payable OWDA, payable in semi□ annual installments of \$19,309 due in 2026, secured by property and equipment	189,986	215,247
2.86% note payable OWDA, payable in semi□ annual installments of \$5,683 due in 2028, secured by property and equipment	80,764	89,630
4.14% note payable OWDA, payable in semi□ annual installments of \$27,096 due in 2029, secured by property and equipment	422,089	457,697
0% note payable OPWC, payable in semi□ annual installments of \$922 due in 2023, secured by property and equipment	6,453	8,296
0% note payable OPWC, payable in semi□ annual installments of \$705 due in 2025, secured by property and equipment	8,455	9,864
0% note payable OPWC, payable in semi□ annual installments of \$368 due in 2025, secured by property and equipment	3,679	4,415
Less current maturities	804,188	903,667
Total long-term debt	\$ 701,325	\$ 804,188

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE D – LONG-TERM DEBT (Continued)**

The annual requirements to amortize all bonded debt outstanding as of December 31, 2019 are as follows:

	Principal	Interest	Total
2020	\$102,863	\$31,057	\$133,920
2021	106,424	27,496	133,920
2022	88,758	23,749	112,507
2023	91,778	19,806	111,584
2024	95,007	15,656	110,663
2025-2029	312,845	29,558	342,403
2030-2031	6,513	-	6,513
Total	\$804,188	\$147,322	\$951,510

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount Due Within One Year
O.W.D.A.	\$ 762,574	\$ -	\$ 69,735	\$ 692,839	\$ 73,119
O.P.W.C	141,093	-	29,744	111,349	29,744
Net Pension Liabilities	709,100	594,294	-	1,303,394	-
Net OPEB Liabilities	458,261	119,567	-	577,828	-
	\$ 2,071,028	\$ 713,861	\$ 99,479	\$ 2,685,410	\$ 102,863

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Amount Due Within One Year
O.W.D.A.	\$ 829,091	\$ -	\$ 66,517	\$ 762,574	\$ 69,735
O.P.W.C	170,836	-	29,743	141,093	29,744
Net Pension Liabilities	998,484	-	289,384	709,100	-
Net OPEB Liabilities	415,124	43,137	-	458,261	-
	\$ 2,413,535	\$ 43,137	\$ 385,644	\$ 2,071,028	\$ 99,479

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The District will receive an estimated \$32,051 of additional interest subsidies through 2029.

**NOTE E – DEPOSITS AND INVESTMENTS**

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

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be evidenced either 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.

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE E – DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States Treasury bills, bonds, notes, 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 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, and Government National Mortgage 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

---

**NOTE E – DEPOSITS AND INVESTMENTS (Continued)**

**Cash on Hand** At year end, the District has \$450 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** Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. SWLCWSD’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2019, the District’s bank balance of \$1,737,736 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2018, the District’s bank balance of \$1,943,125 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments are reported at fair value. As of December 31, 2019 and 2018, the District had the following investments:

	<u>Fair Value 2019</u>	<u>Maturity</u>
<b>Negotiable Certificates of Deposit</b>	\$398,750	\$144,855 < 1 year
<b>Fixed Income Securities</b>	246,550	\$246,550 3-5 years
<b>STAR Ohio</b>	<u>94,511</u>	\$92,346 < 1 year
<b>Total</b>	<u><u>\$739,811</u></u>	
	<u>Fair Value 2018</u>	<u>Maturity</u>
<b>Negotiable Certificates of Deposit</b>	\$144,855	\$144,855 < 1 year
<b>STAR Ohio</b>	<u>92,346</u>	\$92,346 < 1 year
<b>Total</b>	<u><u>\$237,201</u></u>	

**Interest Rate Risk:** Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value on an investment. The District does not have an investment policy.

**Credit Risk** STAR Ohio carries a rating of AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Morgan Stanley Smith Barney invests in various funds such as mutual funds, money funds and certificate of deposits. Mutual funds and money funds are not insured or guaranteed by the federal government. The negotiable certificates of deposit are insured up to \$250,000 per account owner per institution.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE E – DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District’s allocation as of December 31, 2019 and 2018:

<u>Year</u>	<u>Investment Type</u>	<u>Percentage of Investments</u>
2019	Negotiable CDs	54%
2019	Fixed Income – Corporate Bonds	33%
2019	STAR Ohio	13%
2018	Negotiable CDs	61%
2018	STAR Ohio	39%

**NOTE F – CONTINGENT LIABILITIES**

There were no contingent liabilities as of December 31, 2019 or December 31, 2018.

**NOTE G – 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. For fiscal year 2019, the District contracted with Kinder’s Insurance Agency for real property, building contents, and vehicle insurance coverage.

The District has not had any significant reductions in insurance coverage from coverage in prior years by major category of risk. Settled claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE H - ACCOUNTS RECEIVABLE**

Accounts receivables are presented at net realizable value and consist of amounts due from customers for sewer fees for services rendered and contracts amounts billed. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible. Uncollectible accounts receivable are charged to operations during the period determined to be uncollectible. Uncollectible water account balances are certified to the County Auditor after administrative collection efforts have been exhausted. The balance at year end, including billed and unbilled accounts, are due as follows:

2019 – Accounts receivable, net allowance for doubtful accounts - \$454,353

2018 – Accounts receivable, net allowance for doubtful accounts - \$467,656

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE I - DEFINED BENEFIT RETIREMENT PLAN**

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

***Net Pension Liability/Net OPEB Liability***

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

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

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

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

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

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

**NOTE I – DEFINED BENEFIT PENSION PLANS - Continued**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investmenst/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to 01/01/13 or eligible to retire ten years after 01/01/13	Members not in other Groups and members hired on or after 01/01/13
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

**NOTE I – DEFINED BENEFIT PENSION PLANS - Continued**

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

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

	Local
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2019 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was \$99,283 for fiscal year 2019 and \$89,992 for 2018 respectively, of which the entire amount was paid during 2019. Of this amount \$6,952 and \$6,456 were reported as a payroll related liability for 2019 and 2018, respectively.

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

The net pension liability reported as of December 31, 2019 was measured as of December 31, 2018, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2019 PERS	2018 PERS
Proportionate Share of the Net Pension Liability - Current Year	0.0047590%	0.0045200%
Proportionate Share of the Net Pension Liability - Prior Year	0.0045200%	0.0043970%
Change in Proportionate Share Proportion of the Net Pension Liability	0.0002390%	0.0001230%
Liability	\$1,303,394	\$709,100
Pension Expense (Gain)	\$472,126	\$172,354



**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE I – DEFINED BENEFIT PENSION PLANS - Continued**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued**

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

<b>Deferred Outflows of Resources</b>	<u>2019</u>	<u>2018</u>
Differences between projected and actual economic experience	\$ 60	\$ 724
Changes in assumptions	113,464	84,742
Differences between projected and actual investment earnings	176,907	-
Changes in proportion	41,037	22,654
District contributions subsequent to the measurement date	99,283	89,992
Total	<u>\$ 430,751</u>	<u>\$ 198,112</u>
<b>Deferred Inflows of Resources</b>		
Differences between projected and actual economic experience	\$ 17,114	\$ 13,975
Differences between projected and actual investment earnings	160,284	152,235
Total	<u>\$ 177,398</u>	<u>\$ 166,210</u>

\$99,283 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>
2020	\$131,318
2021	60,509
2022	(54,168)
2023	16,411
Total	<u>\$154,070</u>

**Actuarial Assumptions - OPERS**

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE I – DEFINED BENEFIT PENSION PLANS -Continued**

**Actuarial Assumptions – OPERS - Continued**

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below for the OPERS Traditional Plan.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation at 3.25
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five-year period ended December 31, 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE I – DEFINED BENEFIT PENSION PLANS -Continued**

**Actuarial Assumptions – OPERS - Continued**

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 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future 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 proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$1,925,491	\$1,303,394	\$786,425

**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE J - DEFINED BENEFIT OPEB PLANS**

**Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

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

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

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

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE J - DEFINED BENEFIT OPEB PLANS – Continued**

***Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. for the defined benefit health care plans. In accordance with GASB Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Member-Directed Plan health care is a defined benefit health care plan, although the pension plan is defined contribution. Interest of 4% is credited to member accounts as long as the Health Care portfolio earns a positive return. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<b>2019</b>	<b>2018</b>
	<b>PERS</b>	<b>PERS</b>
Proportionate Share of the Net OPEB Liability - Current Year	0.0044320%	0.4220000%
Proportionate Share of the Net OPEB Liability - Prior Year	<u>0.0042200%</u>	<u>0.4110000%</u>
Change in Proportionate Share	<u>0.0002120%</u>	<u>0.0110000%</u>
Proportion of the Net OPEB Liability	\$577,828	\$458,261
OPEB Expense (Gain)	\$63,560	\$42,006

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

	<b>2019</b>	<b>2018</b>
	<b>PERS</b>	<b>PERS</b>
<b>Deferred Outflows of Resources</b>		
Differences between expected and actual economic experience	\$ 196	\$ 357
Changes of assumptions	18,630	33,366
Differences between projected and actual investment earnings	26,490	-
Change in proportion	<u>19,361</u>	<u>7,516</u>
Total	<u>\$ 64,677</u>	<u>\$ 41,239</u>
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual economic experience	\$ 1,568	\$ -
Differences between projected and actual investment earnings	-	\$ 34,137
Total	<u>\$ 1,568</u>	<u>\$ 34,137</u>

There were no deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date since none were made subsequent to the measurement date.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE J - DEFINED BENEFIT OPEB PLANS - Continued**

*Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability - Continued*

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:	<u>OPERS</u>
2020	\$31,909
2021	13,262
2022	4,594
2023	<u>13,344</u>
	<u>\$63,109</u>

**Actuarial Assumptions - PERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE J - DEFINED BENEFIT OPEB PLANS - Continued**

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

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

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

**Discount Rate** A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 3.71%. 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 the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**NORTHWEST REGIONAL WATER DISTRICT  
SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE J - DEFINED BENEFIT OPEB PLANS - Continued**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates***

The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease ▼ (2.96%)	Current Discount Rate ▼ (3.96%)	1% Increase ▼ (4.96%)
District's proportionate share of the net OPEB liability	\$739,258	\$577,828	\$449,449

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. 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 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$555,418	\$577,828	\$603,638

**NOTE K – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2019, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities* and Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*.

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

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

GASB Statement No. 88 establishes criteria to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.



**NORTHWEST REGIONAL WATER DISTRICT**  
**SCIOTO COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

**NOTE L – SUBSEQUENT EVENT**

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

The District's investment portfolio and the investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System*  
*Last Three Years (1)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total plan pension liability	\$ 108,264,577,647	\$ 102,273,912,351	\$ 99,817,932,954
Plan net position	<u>80,876,605,054</u>	<u>86,585,851,024</u>	<u>77,109,633,485</u>
Net pension liability	\$ 27,387,972,593	\$ 15,688,061,327	\$ 22,708,299,469
District's proportion of the net pension liability	0.004759%	0.004520%	0.004397%
District's proportionate share of the net pension liability	\$ 1,303,394	\$ 709,100	\$ 998,484
District's covered payroll	\$ 642,800	\$ 597,385	\$ 663,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.77%	118.70%	150.57%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%

(1) Information prior to 2016 is not available.  
Amounts presented as of the District's measurement date which is the prior fiscal year.

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's Pension Contributions*  
*Ohio Public Employees Retirement System*  
*Last Four Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 99,283	\$ 89,992	\$ 77,660	\$ 79,577
Contributions in relation to the contractually required contribution	<u>(99,283)</u>	<u>(89,992)</u>	<u>(77,660)</u>	<u>(79,577)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 709,164	\$ 642,800	\$ 597,385	\$ 663,142
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%

(1) Information prior to 2016 is not available.

**Notes to Required Supplementary Information - Pension**

**Changes to Benefit Terms:** There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

**Changes of Assumptions (OPERS):** During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employees Retirement System*  
*Last Three Years (1)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total plan OPEB liability	\$ 24,290,625,123	\$ 23,678,097,060	\$ 21,980,827,536
Plan net position	<u>11,252,985,702</u>	<u>12,818,833,665</u>	<u>11,880,487,863</u>
Net OPEB liability	13,037,639,421	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00443200%	0.00422000%	0.00411000%
District's proportionate share of the net OPEB liability	\$ 577,828	\$ 458,261	\$ 415,124
District's covered payroll	\$ 642,800	\$ 597,385	\$ 663,142
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.89%	76.71%	62.60%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2016 is not available.  
Amounts presented as of the District's measurement date which is the prior fiscal year.

**Northwest Regional Water District**  
*Required Supplementary Information*  
*Schedule of the District's OPEB Contributions*  
*Ohio Public Employees Retirement System*  
*Last Four Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ 5,971	\$ 16,758
Contributions in relation to the contractually required contribution	-	-	(5,971)	(16,758)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 709,164	\$ 642,800	\$ 597,385	\$ 663,142
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.50%

(1) Information prior to 2016 is not available.

**Notes to Required Supplementary Information - OPEB**

**Changes to Benefit Terms:** There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

**Changes of Assumptions (OPERS):** There were no changes in assumptions affecting the OPERS plan for the plan year ended December 31, 2018.



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

Northwest Regional Water District  
Scioto County  
123 Smith Street  
McDermott, Ohio 45652

Members of the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Northwest Regional Water District, Scioto County, (the District) as of and for the years ended December 31, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 28, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Northwest Regional Water District

Scioto County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and

Other Matters Required by *Government Auditing Standards*

Page 2

***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*.

***Purpose of this Report***

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

*BHM CPA Group*

BHM CPA Group, Inc.

Piketon, Ohio

June 28, 2021



# OHIO AUDITOR OF STATE KEITH FABER



**NORTHWEST REGIONAL WATER DISTRICT**

**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 9/7/2021**

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](http://www.ohioauditor.gov)