OHIO AUDITOR OF STATE
KEITH FABER

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio, 43968-0105

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Buckeye Water District, Columbiana County, Ohio (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Buckeye Water District, Columbiana County, Ohio as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2023

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This discussion and analysis of the Buckeye Water District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended December 31, 2022. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the District is accounted for in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets greater than or equal to $5,000 for all items are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the District together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the District are the following:

- Statement of Net Position – This statement presents information on all of the District's assets and deferred outflows of resources and all of the District's liabilities and deferred inflows of resources, with the difference between the two reported as net position.

- Statement of Revenues, Expenses and Changes in Net Position – This statement includes all operating and nonoperating revenues and expenses for the District and shows the change in the District's net position during the most recent year.

- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

Financial Highlights

The District's financial position increased from 2021 to 2022, as indicated by the increase in total net position of $2,962,704. The increase can be mainly attributed to capital contributions for ongoing capital projects primarily from the Army Corps of Engineers.

As of December 31, 2022, the District received proceeds for six Ohio Water Development Authority (OWDA) loans in the amount of $12,983,726 in order to refund the 2002 and 2008 revenue bonds and one Ohio Public Works Commission (OPWC) loan in the amount of $466,322 for the Old Fredericktown water line extension.

Financial Position

Table 1 focuses on the District's financial position and the results of operations for 2022 compared to 2021:

Table 1
Net Position

	2022	2021
Assets		
Current and other assets	$ 6,318,969	$ 4,402,867
Net OPEB asset	149,435	84,821
Capital assets, net of depreciation	41,200,862	40,611,287
Total assets	47,669,266	45,098,975
Deferred outflows of resources		
Pension	204,336	114,120
OPEB	1,411	47,496
Total deferred outflows of resources	205,747	161,616
Liabilities		
Current and other liabilities	630,985	575,941
Long-term liabilities:		
Due within one year	1,210,329	1,220,496
Net pension liability	445,983	757,124
Other amounts due in more than one year	22,505,908	22,696,127
Total liabilities	24,793,205	25,249,688
Deferred inflows of resources		
Pension	540,262	326,776
OPEB	154,397	259,682
Total deferred inflows of resources	694,659	586,458
Net Position		
Net investment in capital assets	19,002,816	18,389,867
Restricted for debt service	101,317	420,000
Unrestricted	3,283,016	614,578
Total net position	$ 22,387,149	$ 19,424,445

As a result of implementing the accounting standard for pension and OPEB, the District is reporting a significant net pension liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the District is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a negative impact on net position. The change in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the District's net position, additional information is presented below.

	2022	2021
Deferred outflows of resources for:		
Pension	$ 204,336	$ 114,120
OPEB	1,411	47,496
Deferred inflows of resources for:		
Pension	(540,262)	(326,776)
OPEB	(154,397)	(259,682)
Net pension liability	(445,983)	(757,124)
Net OPEB asset	149,435	84,821
Impact on net position from pension and OPEB reporting	$ (785,460)	$ (1,097,145)
Net expense impact	311,685	634,102

The District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension/OPEB liability not accounted for as deferred inflows/outflows. For 2022, the net expense impact of GASB 68 and 75 was $311,685. This was from reporting the decrease in the District's proportionate share of the pension and other post-employment benefit liability of the Ohio Public Employment Retirement board. This adjustment was a negative expense which decreased expenses.

Current assets increased from 2021 due to a significant increase in cash and cash equivalents. This increase in cash primarily resulted from an increase in various operating revenues within the District.

A portion of the District's net position reflects investments in capital assets (e.g. land, buildings, improvements, equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Capital assets increased from 2021 due to capital asset additions from the completion of construction projects within the District.

Long-term liabilities decreased during 2022 due to principal payments made on debt outstanding, refinancing of bonds and a decrease in the net pension liability as compared to the prior year.

Table 2 shows the change in net position for the year ended December 31, 2022, compared to 2021.

Table 2
Change in Net Position

	2022	2021
Revenues		
Operating revenues	$ 6,696,804	$ 4,418,598
Nonoperating revenues	40,156	16,028
Total revenues	6,736,960	4,434,626
Expenses		
Operating expenses	4,708,832	3,252,144
Interest and fiscal charges	537,930	733,162
Total expenses	5,246,762	3,985,306
Income before other revenues	1,490,198	449,320
Capital contributions	1,472,506	4,832,080
Change in net position	2,962,704	5,281,400
Net position at beginning of year	19,424,445	14,143,045
Net position at end of year	$ 22,387,149	$ 19,424,445

Operating revenues increased from 2021 due to increased revenue from charges for services related to raw water, discharge and pumping station revenues and other revenues. Nonoperating revenues increased from 2021 due to an increase in electricity reimbursement in 2022.

The increase in operating expenses from 2021 is due to an increase in contractual services and material and supplies during 2022. The District's revenues exceeded its expenses by $2,962,704 for 2022.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2022 balances compared to 2021.

Table 3
Capital Assets, at Year End
(Net of Depreciation)

	2022	2021
Land	$ 446,683	$ 446,683
Easements	83,184	83,184
Construction in progress	72,171	23,395,234
Buildings and improvements	8,347,137	9,079,574
Equipment and machinery	472,136	470,274
Vehicles	55,997	21,994
Water tank	462,695	475,607
Infrastructure		
Water lines	31,260,859	6,638,737
Total capital assets	$ 41,200,862	$ 40,611,287

All capital assets are reported net of depreciation. The District has been very aggressive in pursuing funding to assist in the financing of infrastructure projects. See Note 4 to the basic financial statements for additional information on the District's capital assets.

Debt

Table 4 summarizes the District's debt outstanding.

Table 4
Outstanding Debt, at Year End

	2022	2021
OPWC loans	$ 1,481,868	$ 1,117,046
OWDA loans	19,304,152	6,981,235
Revenue bonds	2,735,800	15,477,300
Totals	$ 23,521,820	$ 23,575,581

The District continues to monitor its outstanding debt. See Note 5 to the basic financial statements for additional information on the District's long-term obligations.

Current Issues

In conclusion, the Buckeye Water District is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent water to the customers of the District.

Contacting the District's Management

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tiffany Chetock, Fiscal Officer, at Buckeye Water District, 1925 Clark Avenue, P.O. Box 105, Wellsville, Ohio 43968 or email at tchetock@buckeyewater.com.

Buckeye Water District

Statement of Net Position

December 31, 2022

Assets		
Current assets:		
Equity in pooled cash and cash equivalents	$	3,218,857
Cash and cash equivalents in segregated accounts		2,231,520
Receivables		525,518
Materials and supplies inventory		174,463
Prepaid items		67,294
Total current assets		6,217,652
Noncurrent assets:		
Restricted assets:		
Equity in pooled cash and cash equivalents		101,317
Capital assets:		
Nondepreciable capital assets		602,038
Depreciable capital assets, net		40,598,824
Net OPEB asset		149,435
Total noncurrent assets		41,451,614
Total assets		47,669,266
Deferred outflows of resources		
Pension		204,336
OPEB		1,411
Total deferred outflows of resources		205,747
Liabilities		
Current liabilities:		
Accounts payable		204,906
Accrued wages		29,952
Intergovernmental payable		17,902
Deposits held and due to others		89,036
Accrued interest payable		289,189
Compensated absences payable		65,688
OPWC loans payable		109,464
OWDA loans payable		971,477
Revenue bonds payable		63,700
Total current liabilities		1,841,314
Long-term liabilities:		
Compensated absences payable		128,729
OPWC loans payable, net of current portion		1,372,404
OWDA loans payable, net of current portion		18,332,675
Revenue bonds payable, net of current portion		2,672,100
Net pension liability		445,983
Total long-term liabilities		22,951,891
Total liabilities		24,793,205
Deferred inflows of resources		
Pension		540,262
OPEB		154,397
Total deferred inflows of resources		694,659
Net position		
Net investment in capital assets		19,002,816
Restricted for debt service		101,317
Unrestricted		3,283,016
Total net position	$	22,387,149

See accompanying notes to the basic financial statements.

Buckeye Water District

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

Operating revenues		
Charges for services	$	5,410,433
Tap-in fees		162,716
Other		1,123,655
Total operating revenues		6,696,804
Operating expenses		
Salaries and wages		926,150
Fringe benefits		(79,283)
Contractual services		2,147,369
Materials and supplies		329,204
Depreciation		1,385,392
Total operating expenses		4,708,832
Operating income		1,987,972
Nonoperating revenues (expenses)		
Interest		40,156
Interest and fiscal charges		(537,930)
Total nonoperating revenues (expenses)		(497,774)
Income before capital contributions		1,490,198
Capital contributions		1,472,506
Change in net position		2,962,704
Net position at beginning of year		19,424,445
Net position at end of year	$	22,387,149

See accompanying notes to the basic financial statements.

Buckeye Water District

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities:		
Cash received from customers	$	5,437,978
Other cash receipts		1,123,655
Cash payments for employee services and benefits		(1,286,100)
Cash payments to suppliers for goods and services		(2,437,391)
Net cash provided by operating activities		2,838,142
Cash flows from capital and related financing activities:		
Loans issued		13,450,048
Cash payments from contributions		1,423,207
Principal payment on OPWC loans		(101,500)
Principal payment on OWDA loans		(660,809)
Payment for current refunding - principal		(12,678,700)
Principal payment on revenue bonds		(62,800)
Interest payment on OWDA loans		(109,466)
Interest payment revenue bonds		(363,194)
Acquisition of capital assets		(1,974,967)
Net cash used by capital and related financing activities		(1,078,181)
Cash flows from investing activities:		
Investment income		40,156
Net increase in cash and cash equivalents		1,800,117
Cash and cash equivalents at beginning of year		3,751,577
Cash and cash equivalents at end of year	$	5,551,694
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	1,987,972
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		1,385,392
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		(135,171)
Materials and supplies inventory		53,975
Prepaid items		(34,789)
Net OPEB asset		(64,614)
Deferred outflows of resources - pension/OPEB		(44,131)
Increase (decrease) in liabilities:		
Accounts payable		19,996
Accrued wages		5,026
Compensated absences payable		(146,625)
Intergovernmental payable		14,051
Net pension/OPEB liability		(311,141)
Deferred inflows of resources - pension/OPEB		108,201
Net cash provided by operating activities	$	2,838,142

See accompanying notes to the basic financial statements.

Note 1 – Description of the Entity

The Buckeye Water District, Columbiana County, Ohio, ("the District") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was formed in 1996 pursuant to Chapter 6119 of the Ohio Revised Code. The District is directed by a 9-member Board of Directors comprised of three members appointed by the Columbiana County Board of Commissioners, three members appointed by the Township Trustees of the townships which comprise part of the District and three members are appointed by the Mayor or Village Council of the Village of Wellsville and the Village Salineville. Subdivisions within the District are: the Village of Wellsville, Madison, Yellow Creek, Salem, and Middletown Townships and the unincorporated portions of Saint Clair and Liverpool Townships. The District provides water services to residents of the District.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14 "The Financial Reporting Entity" as amended by GASB No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", the accompanying financial statements include all funds and activities over which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows.

The District uses enterprise accounting to maintain its financial records during the year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include pension/OPEB reported in the statement of net position. The deferred outflows of resources related to pension/OPEB are explained in Note 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include pension/OPEB. Deferred inflows of resources related to pension/OPEB are reported on the statement of net position (See Note 6).

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The District has a segregated bank account for monies held separate from the District's central bank account and are presented on the statement of net position as "Cash and cash equivalents in segregated accounts".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The District had no investments in 2022.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets represent amounts set aside to satisfy bond indenture requirements for current and future debt payments.

Capital Assets

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition values as of the date received. The capitalization threshold is $5,000. The District's infrastructure consists of waterlines and includes infrastructure acquired by the District since 1996. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, easements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	25 - 40 years
Equipment and machinery	5-10 years
Vehicles	5 years
Water tank	15 years
Infrastructure	25 - 40 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for all accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the District has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the District's termination policy.

Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/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.

The current accounting standard requires the District to report their proportionate share of the net pension/OPEB liability or OPEB asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and post employment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability or OPEB asset. Under the new standards, the net pension/OPEB liability or OPEB asset equals the District proportionate share of the pension plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other post employment benefits. The unfunded portion of this benefit of exchange is a liability of the District. However, the District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The District has no control over the changes in the benefits, contributions rate, and return on investments affecting the balance of these liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statue does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are for consumer water consumption. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting these definitions are reported as nonoperating.

Capital Contributions

Capital contributions in financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates

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

Note 3 – Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debenture, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (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;

4. Time certificates of deposit or savings or deposit account including, but not limited to, passbook accounts;

5. 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;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and

8. Written repurchase agreements in the securities described in the securities described in (1) or (2) provided 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.

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 of short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool stabled by the financial institution to secure the repayment of all public monies deposited with the institution.

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

At year-end, none of the District's total bank balance of $5,563,750 was exposed to custodial credit risk.

Note 4 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Increases	Decreases	Balance 12/31/2022
Capital assets, not being depreciated:				
Land	$ 446,683	$ -	$ -	$ 446,683
Easments	83,184	-	-	83,184
Construction in progress	23,395,234	1,819,544	(25,142,607)	72,171
Total capital assets, not being depreciated	23,925,101	1,819,544	(25,142,607)	602,038
Capital assets, being depreciated:				
Buildings and improvements	18,990,717	-	-	18,990,717
Equipment and machinery	9,791,270	110,423	-	9,901,693
Vehicles	597,310	45,000	-	642,310
Water tank	1,814,394	-	-	1,814,394
Infrastructure				
Waterlines	13,646,644	25,142,607	-	38,789,251
Total capital assets, being depreciated	44,840,335	25,298,030	-	70,138,365
Less accumulated depreciation:				
Buildings and improvements	(9,911,143)	(732,437)	-	(10,643,580)
Equipment and machinery	(9,320,996)	(108,561)	-	(9,429,557)
Vehicles	(575,316)	(10,997)	-	(586,313)
Water tank	(1,338,787)	(12,912)	-	(1,351,699)
Infrastructure				
Waterlines	(7,007,907)	(520,485)	-	(7,528,392)
Total accumulated depreciation	(28,154,149)	(1,385,392)	-	(29,539,541)
Total capital assets being depreciated, net	16,686,186	23,912,638	-	40,598,824
Total capital assets, net	$ 40,611,287	$ 25,732,182	$ (25,142,607)	$ 41,200,862

Note 5 – Long-Term Obligations

The original issue date, maturity date, interest rate and original issuance amount for each of the District's bonds and loans follow:

	Issue Date	Maturity Date	Interest Rate	Orginial Issue Amount
Ohio Public Works Commission Loans				
Wellsville water treatment plant improvements	2003	2023	0.000%	$ 268,028
State route 39 water main feeder	2003	2026	0.000%	783,000
District water meter replacement	2014	2030	0.000%	416,646
Hibbets Mill road waterline replacement	2017	2049	0.000%	624,589
Old Fredericktown waterline extension	2020	2053	0.000%	477,831
Ohio Water Development Authority Loans				
Refinance of USDA-RD Loan 91-03	2022	2042	1.930%	379,263
Refinance of USDA-RD Loan 91-05	2022	2048	2.200%	3,605,698
Refinance of USDA-RD Loan 91-07	2022	2048	2.200%	3,262,366
Refinance of USDA-RD Loan 91-09	2022	2048	2.200%	3,863,248
Refinance of USDA-RD Loan 91-11	2022	2048	2.200%	1,116,084
Refinance of USDA-RD Loan 91-01	2022	2042	1.930%	757,067
Transmission main, pump station and intake	2006	2029	2.000%	11,870,111
Salineville waterline extension	2009	2040	0.000%	662,137
Frederick Heights waterline extension	2019	n/a	1.920%	Not finalized
Frederick Heights waterline extension	2019	n/a	1.670%	Not finalized
Revenue Bonds				
2016 Series	2016	2056	1.375%	3,100,000

Changes in long-term obligations during the year ended December 31, 2022, consisted of the following:

	Balance 12/31/2021	Increases	Decreases	Balance 12/31/2022	Amount Due in One Year
Ohio Public Works Commission Loans:					
Wellsville water treatment plant improvements	$ 33,504	$ -	$ (13,401)	$ 20,103	$ 13,402
State Route 39 water main feeder	215,325	-	(39,150)	176,175	39,150
District water meter replacement	263,877	-	(27,777)	236,100	27,776
Hibbets Mill road waterline replacement	592,831		(21,172)	571,659	21,172
Old Fredericktown waterline extension	11,509	466,322	-	477,831	7,964
Total Ohio Public Works Commission Loans	1,117,046	466,322	(101,500)	1,481,868	109,464
Ohio Water Development Authority Loans:					
Refinance of USDA-RD Loan 91-03	-	379,263	-	379,263	13,914
Refinance of USDA-RD Loan 91-05	-	3,605,698	-	3,605,698	78,604
Refinance of USDA-RD Loan 91-07	-	3,262,366	-	3,262,366	71,120
Refinance of USDA-RD Loan 91-09	-	3,863,248	-	3,863,248	84,219
Refinance of USDA-RD Loan 91-11	-	1,116,084	-	1,116,084	24,331
Refinance of USDA-RD Loan 91-01	-	757,067	-	757,067	27,774
Transmission main, pump station and intake	5,625,930	-	(613,557)	5,012,373	625,889
Salineville waterline extension	318,034	-	(17,191)	300,843	17,191
Frederick Heights waterline extension	995,032	-	(24,800)	970,232	24,800
Frederick Heights waterline extension	42,239	-	(5,261)	36,978	3,635
Total Ohio Water Development Authority Loans	6,981,235	12,983,726	(660,809)	19,304,152	971,477
Revenue Bonds:					
2002 Series	1,091,200	-	(1,091,200)	-	-
2008 Series	11,587,500	-	(11,587,500)	-	-
2016 Series	2,798,600	-	(62,800)	2,735,800	63,700
Total Revenue Bonds	15,477,300	-	(12,741,500)	2,735,800	63,700
Other long-term obligations					
Compensated absences payable	341,042	53,073	(136,113)	258,002	86,084
Net pension liability	757,124	-	(311,141)	445,983	-
Total other long term obligations	1,098,166	53,073	(447,254)	703,985	86,084
Total	$ 24,673,747	$ 13,503,121	$ (13,951,063)	$ 24,225,805	$ 1,230,725

The District has pledged future revenues, net of operating expenses, to repay Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) loans, and the revenue bonds. The debt is payable solely from net revenues through 2056. Annual principal and interest payments on the debt issues are expected to require 16 percent of net revenues. The total principal remaining to be paid on the debt is $23,521,820. Principal and interest paid for the current year and net revenues were $13,976,469 and $4,889,103, respectively.

In December 2016, the District issued $3,100,000 in Water System Improvement Revenue Bonds for the purpose of paying off USDA loans that the District was paying on behalf of the Village of Salineville, as well as paying off the Promissory Note due to Columbiana County.

In previous years the District initiated interest free loans with the OPWC to fund several construction projects. Upon completion of the projects, the Wellsville Water Treatment Plant Improvements loan first principal payment came due January 2004, the District Water Meter Replacement loan first principal payment came due on January 2016, the State route 39 water main feeder loan first principal payment came due on January 2007 and the Hibbets Mill Road Waterline Replacement loan first principal payment came due on January 2020. During 2022, the District receive the final draw of $466,322 for the Old Fredericktown Waterline Extension Phase 2B loan. The total loan value is $477,831 with the first principal payment due in July 2023.

During 2006, an OWDA loan was obtained for a transmission main, pump station and intake project. The total amount of the loan issued was $11,870,111 and bears an interest rate of 2.00% with final maturity on January 1, 2029. The balance of the loan as of December 31, 2022, is $5,012,373.

During 2009, an OWDA loan was obtained for the Salineville waterline extension. This is an interest free loan with the first principal payment that began on January 2012. The balance of the loan as of December 31, 2022, is $300,843.

During 2019, an OWDA loan was obtained for the Fredrick Heights road waterline replacement. This loan has not yet been finalized and therefore not included in the table below. Additionally, this loan has a scheduled due within one year principal payment of $28,435 that is not included in the table below.

During 2022, the District refunded the 2002 and 2008 Series revenue bonds described above, by using OWDA financing. The current refunding involved using proceeds from OWDA to repay the old bonds. The old bonds were called and refunded in 2022. The interest rate on the new OWDA loans range from 1.93 to 2.00% with the first principal payment due in 2023. The District refunded the old bonds to reduce their total debt service payments over the next twenty-six years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $3,752,041.

Principal and interest requirements to retire the District's long-term obligations outstanding at December 31, 2022, are as follows:

	OPWC	OWDA Loans		Revenue Bonds	
Year	Loans	Principal	Interest	Principal	Interest
2023	$ 109,464	$ 943,043	$ 474,360	$ 63,700	$ 37,617
2024	110,729	1,056,622	360,781	64,500	36,741
2025	104,026	1,078,260	339,143	65,400	35,855
2026	104,028	1,100,349	317,053	66,400	34,955
2027	84,451	1,122,900	294,502	67,200	34,042
2028-2032	282,721	4,125,524	1,153,934	350,300	156,091
2033-2037	185,502	2,633,193	838,704	375,000	131,339
2038-2042	185,503	2,847,297	546,303	401,500	104,837
2043-2047	185,502	2,793,162	239,568	430,000	76,460
2048-2052	121,987	596,592	9,951	460,300	46,078
2053-2056	7,955	-	-	391,500	13,551
Total	$ 1,481,868	$ 18,296,942	$ 4,574,299	$ 2,735,800	$ 707,565

Note 6 – Defined Benefit Pension and OPEB Plans

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

The net pension/OPEB liability (asset) 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 (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) 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.

A. DEFINED BENEFIT PENSION PLANS

Plan Description - The District employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. While members may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and service requirements:	**Age and service requirements:**	**Age and service requirements:**
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
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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.

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. 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. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

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

	State and Local
2022 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
2022 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	-
Total employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $122,273 for 2022. Of this amount, $17,468 is reported as an intergovernmental payable.

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

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

	OPERS	
Proportion of the pension liability - prior measurement date	0.005113	%
Proportion of the pension liability - current measurement date	0.005126	%
Change in proportionate share	0.000013	%
Proportionate share of net pension liability	$ 445,983	
Pension expense	$ (65,598)	

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

	OPERS
Deferred outflows of resources	
Differences between expected and actual experience	$ 22,736
Changes of assumptions	55,770
Changes in proportionate share and differences between District contributions and proportionate share of contributions	3,557
District contributions subsequent to the measurement date	122,273
Total deferred outflows of resources	$ 204,336
Deferred inflows of resources	
Differences between expected and actual experience	9,782
Net difference between projected and actual earnings on pension plan investments	530,480
Total deferred inflows of resources	$ 540,262

$122,273 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year ending December 31:	
2023	$ (67,068)
2024	(182,007)
2025	(124,737)
2026	(84,387)
Total	$ (458,199)

Actuarial Assumptions - OPERS

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

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

Wage inflation	2.75 percent
Future salary increases, including inflation -Traditional plan	2.75 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	2.75 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 3 percent, simple through 2020, then 2.05 percent, simple
Investment rate of return	6.9 percent
Actuarial cost method	Individual entry age

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

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

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 2021, 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 15.3% for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	24.00%	1.03%
Domestic equities	21.00%	3.78%
Real estate	11.00%	3.66%
Private equity	12.00%	7.43%
International equities	23.00%	4.88%
Risk parity	5.00%	2.92%
Other investments	4.00%	2.85%
Total	100.00%	4.21%

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

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

	1% Decrease (5.90%)	Current discount rate (6.90%)	1% Increase (7.90%)
Employer proportionate share of the net pension liability	$ 1,175,853	$ 445,983	$ (161,366)

B. DEFINED BENEFIT OPEB PLANS

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' Annual Comprehensive 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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 2022. 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 2022 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 2022.

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

The net OPEB liability or asset and total OPEB liability or asset for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability or asset was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the net OPEB liability or asset:	
Prior measurement date	0.004761%
Current measurement date	0.004771%
Change in Proportionate Share	0.000010%
Proportionate share of the net OPEB liability (asset)	($149,435)
OPEB expense	($123,814)

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

	Deferred OPERS
Deferred Outflows of Resources	
Changes in proportion and differences between City contributions and proportionate share of contributions	$ 1,411
Total Deferred Outflows of Resources	$ 1,411
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 22,667
Net difference between projected and actual earnings on OPEB plan investments	71,240
Changes of assumptions	60,490
Total Deferred Inflows of Resources	$ 154,397

$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

		OPERS
Year ending December 31:		
	2023	$ (94,132)
	2024	(33,057)
	2025	(15,566)
	2026	(10,231)
Total		$ (152,986)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan 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, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 - year period ended December 31, 2020
Wage inflation	2.75 percent
Projected salary increases	2.75 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Investment rate of return	6.00 percent
Municipal bond rate	1.84 percent
Health care cost trend rate	5.50 percent, initial 3.50 percent, ultimate in 2034
Actuarial cost method	Individual entry age normal

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

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.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset class	Target allocation	Weighted average long-term expected real rate of return (arithmetic)
Fixed income	34.00%	0.91%
Domestic equities	25.00%	3.78%
Real estate investment trust	7.00%	3.71%
International equities	25.00%	4.88%
Risk parity	2.00%	2.92%
Other investments	7.00%	1.93%
Total	100.00%	3.45%

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 14.3 percent for 2021.

Discount Rate A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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

	1% Decrease (5.00%)	Current discount rate (6.00%)	1% Increase (7.00%)
Proportionate share of the net OPEB liability/(asset)	$ (87,882)	$ (149,435)	$ (200,525)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability or asset to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset 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.

	1% Decrease	Current health care cost trend rate assumption	1% Increase
Proportionate share of the net OPEB liability/(asset)	($151,050)	($149,435)	($147,519)

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 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Note 7 – 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; and natural disasters. During 2022, the District maintained commercial insurance coverage for those various risks. The coverage and deductibles are as follows:

Type of coverage	Coverage	Deductible
Automobile liability	$ 6,000,000	$ -
General liability (aggregate)	6,000,000	-
Property liability	45,664,976	5,000
Inland Marine	865,313	1,000

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

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 – Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week, as determined by employee handbook. District employees are paid for earned, unused vacation leave at the time of termination of employment. Sick leave is earned at the rate of one and one quarter days per month of service. Upon retirement, employees are paid up to 120 days of the accumulated sick leave.

Insurance Benefits

The District provides medical/surgical, prescription drug, vision, and dental insurance and life insurance through Anthem to all eligible employees.

Note 9 – Litigation

The District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

Note 10 – Transfer Agreement

On April 25, 2007, the District entered into a management agreement with the Village of Salineville (the Village). The Village is the owner and operator of a certain water supply treatment facility and a water distribution system (Salineville Water System) located in Columbiana County, Ohio consisting of certain real estate and improvements thereon. The Village is also the owner of certain personal property, real property easements, rights of way and improvements thereon utilized for the operations of the Salineville Water System. The Village appointed and designated the District as the manager of the Salineville Water System. During 2016, transfer of ownership was completed via a transfer agreement that set forth all terms, conditions, obligations and responsibilities of the Parties including financial compensation from the District to the Village in the amount of $933,128. All necessary governmental approvals including, but not limited to, the Ohio EPA and applicable funding authorities to whom the Village is currently indebted was obtained.

The District agreed to use water revenues to pay debt service on the Salineville Water System. During 2022, the District paid $4,385 towards the payment of debt service. These payments are reflected as a contractual service on the financial statements. The District has also issued USDA loans partially for the purpose of paying off the Village debt that the District was paying on.

Note 11 – Contractual Commitment

The District has a verbal agreement with Columbiana County whereby the District pays approximately $7,300 annually towards OPWC loans. During 2022, the District payment of $7,300 is reflected as contractual services on the financial statements.

Required Supplementary Information

Buckeye Water District

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Nine Years (1)

	2022	2021	2020	2019	2018
Ohio Public Employees Retirement System (OPERS) - Traditional Plan					
District's proportion of the net pension liability	0.005126%	0.005113%	0.005071%	0.004982%	0.005481%
District's proportionate share of the net pension liability	$ 445,983	$ 757,124	$ 1,002,318	$ 1,364,469	$ 859,863
District's covered payroll	$ 743,914	$ 720,079	$ 713,507	$ 627,821	$ 733,531
District's proportionate share of the net pension liability as a percentage of its covered payroll	59.95%	105.14%	140.48%	217.33%	117.22%
Plan fiduciary net position as a percentage of total pension liability	92.62%	86.88%	84.17%	74.70%	84.66%

(1) Information prior to 2014 is not available and the amounts presented are as of District's measurement date which is the prior year end.

2017	2016	2015	2014
0.006282%	0.006187%	0.005542%	0.005542%
$ 1,426,535	$ 1,071,667	$ 668,427	$ 653,330
$ 811,050	$ 770,092	$ 679,417	$ 615,715
175.89%	139.16%	98.38%	106.11%
77.25%	81.08%	86.45%	86.36%

Buckeye Water District

Required Supplementary Information
Schedule of District Contributions - Pension
Last Ten Years

	2022	2021	2020	2019	2018
Ohio Public Employees Retirement System (OPERS) - Traditional Plan					
Contractually required contribution	$ 122,273	$ 104,148	$ 100,811	$ 99,891	$ 87,895
Contributions in relation to contractually required contribution	(122,273)	(104,148)	(100,811)	(99,891)	(87,895)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 873,379	$ 743,914	$ 720,079	$ 713,507	$ 627,821
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

2017	2016	2015	2014	2013
$ 95,359	$ 97,326	$ 92,411	$ 81,530	$ 80,043
(95,359)	(97,326)	(92,411)	(81,530)	(80,043)
$ -	$ -	$ -	$ -	$ -
$ 733,531	$ 811,050	$ 770,092	$ 679,417	$ 615,715
13.00%	12.00%	12.00%	12.00%	13.00%

Buckeye Water District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net OPEB Liability or Asset

Last Six Years (1)

	2022	2021	2020	2019
Ohio Public Employees Retirement System (OPERS)				
District's proportion of the net OPEB liability or asset	0.004771%	0.004761%	0.004723%	0.004639%
District's proportionate share of the net OPEB liability (asset)	$ (149,435)	$ (82,821)	$ 652,369	$ 604,816
District's covered payroll	$ 743,914	$ 720,079	$ 713,507	$ 627,821
District's proportionate share of the net OPEB liability(asset) as a percentage of its covered payroll	-20.09%	-11.50%	91.43%	96.34%
Plan fiduciary net position as a percentage of total OPEB liability or asset	128.23%	115.57%	47.80%	46.33%

(1) Information prior to 2017 is not available and the amounts presented are as of District's measurement date which is the prior year end.

2018	2017
0.005114%	0.005876%
$ 555,343	$ 293,496
$ 733,531	$ 811,050
75.71%	36.19%
54.14%	54.05%

Buckeye Water District

Required Supplementary Information
Schedule of District Contributions - OPEB
Last Ten Years

	2022	2021	2020	2019	2018
Ohio Public Employees Retirement System (OPERS)					
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 873,379	$ 743,914	$ 720,079	$ 713,507	$ 627,821
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

2017	2016	2015	2014	2013
$ 7,335	$ 16,221	$ 15,402	$ 14,635	$ 6,157
(7,335)	(16,221)	(15,402)	(14,635)	(6,157)
$ -	$ -	$ -	$ -	$ -
$ 733,531	$ 811,050	$ 770,092	$ 679,417	$ 615,715
1.00%	2.00%	2.00%	2.00%	1.00%

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal AL Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF DEFENSE			
Passed Through U.S. Army Corp of Engineers			
Section 594 of the Water Resources Development Act of 1999	12.XXX	W81ET410204671	919,479
Total U.S. Department of Defense			**919,479**
Appalachian Regional Commission			
Passed Through U.S. Department of Commerce, Economic Development Administration			
Appalachian Area Development	23.002	S-P-19-5BW-1	250,000
Total Appalachian Area Development			**250,000**
U.S. DEPARTMENT OF TREASURY			
Passed Through Ohio Department of Development			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2022	63,843
Total U.S. Department of Treasury			**63,843**
Total Expenditures of Federal Awards			**$1,233,322**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Buckeye Water District (the District) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio, 43968-0105

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 19, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2023

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio, 43968-0105

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Buckeye Water District's, Columbiana County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Buckeye Water District's major federal program for the year ended December 31, 2022. Buckeye Water District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Buckeye Water District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

September 19, 2023

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BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Section 594 of the Water Resources Development Act of 1999 (AL #12.XXX)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

FINDING NUMBER 2022-001

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code §102.03(d) states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Article VIII - Employee Retirement, states that employees shall file a notice of their intent to retire at least six months prior to the effective retirement date. In addition, Article IV - Paid Leave of Absences of the District's Handbook states, in part, that in no case will any employee be paid for unused personal days.

Water Superintendent Randall Brown retired from the District, effective March 17, 2022, with no notice of intent. On March 28, 2022, Office Manager Amber Brown, approved and processed 40 unused personal leave hours for the Water Superintendent in the amount of $1,574, net of employer pension contributions. Employer matching pension contributions pertaining to the personal leave totaled to $220. Mr. Brown did not receive proper authorization to use personal leave at the end of his employment nor did Mrs. Brown receive approval for processing the personal leave. Mrs. Brown, who is the wife of Mr. Brown, had direct authority to process payroll on behalf of her husband without anyone else verifying the pay-out. On September 19, 2023, the amount was paid to the District.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Randall Brown and the District's commercial liability insurer, Federal Insurance Company and will be jointly and severally liable in the amount of $1,794 and in favor of the Buckeye Water District's General Operating Account.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No.80-074; Ohio Rev. Code Section 9.39; State , ex. Rel. village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

The former Office Manager, Amber Brown, approved the personal leave payment resulting in the improper payment to Randall Brown. Former Office Manager Amber Brown and the District's commercial liability insurer, Federal Insurance Company, will be jointly and severally liable in the amount of $1,794 and in favor of the General Operating Account, to the extent that recovery is not obtained from the above listed employee.

FINDING NUMBER 2022-001
(Continued)

Failure to review the Handbook regarding personal leave payments and nepotism could result in improper payments issued by the District and additional findings for recovery.

The Office Manager shall review the Handbook to ensure separation payments are made in accordance with District policies. Furthermore, the District shall review and enforce their Nepotism policy to ensure no employees are in supervisory roles with direct authority over relatives.

A referral will be made to the Ohio Ethics Commission.

Official's Response: We did not receive a response from Officials to the finding reported above

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OHIO AUDITOR OF STATE
KEITH FABER

BUCKEYE WATER DISTRICT

COLUMBIANA 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 10/10/2023

88 East Broad Street, Columbus, Ohio 43215
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