OHIO AUDITOR OF STATE
KEITH FABER

RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN COUNTY
DECEMBER 31, 2022, 2021 AND 2020

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LORAIN COUNTY
DECEMBER 31, 2022, 2021 AND 2020

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OHIO AUDITOR OF STATE
KEITH FABER

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

INDEPENDENT AUDITOR'S REPORT

Rural Lorain County Water Authority
Lorain County
42401 State Route 303
LaGrange, Ohio 44050

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Rural Lorain County Water Authority, Lorain County, Ohio (the Authority), as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 respective financial position of the Rural Lorain County Water Authority, Lorain County, Ohio as of December 31, 2022, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 Authority'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 Authority'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 Authority'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 Authority's basic financial statements. The Statements of Operating Expenses are presented for purposes of additional analysis and are 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 Statements of Operating Expenses are 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 November 16, 2023, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

November 16, 2023

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This discussion and analysis, along with the accompanying financial reports of the Rural Lorain County Water Authority (RLCWA), are designed to provide our customers, bondholders, creditors, and other interested parties with a general overview of the Authority and its financial activities.

During 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net pension/OPEB asset.

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

GASB 68 and GASB 75 require the net pension liability/(asset) and the net OPEB liability/(asset) to equal the Authority's proportionate share of each plan's collective:

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of RLCWA exceeded liabilities and deferred inflows by $71.6 million and $66.1 million in 2022 and 2021, respectively.

The Authority's Net Position increased by $5.5 million (8.4%) and $9.1 million (15.9%) in 2022 and 2021, respectively.

The Authority's Operating Revenue decreased by $429 thousand (-2.3%) and increased $820 thousand (4.6%) with Operating Expenses increasing $1.9 million (25%) and decreasing $1.9 million (20.3%) in 2022 and 2021, respectively.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Authority is a single fund using proprietary fund accounting, similar to private sector business. The Authority is described in Note 1, Summary of Significant Accounting Policies, on page nineteen (19). The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statements of Net Position** includes all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Authority, and obligations owed by the Authority (liabilities) on December 31. The Authority's net position is the difference between assets and liabilities.

The **Statements of Revenue, Expenses, and Changes in Net Position** provide information on the Authority's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenue is reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the Authority's cash receipts and cash disbursements from operations, investing and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to the Basic Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

NET POSITION

Table 1 summarizes the Net Position of the Authority. Capital Assets are reported less accumulated depreciation. Net Investment in Capital Assets are capital assets less outstanding debt used to acquire those assets.

TABLE 1

				2022 vs 2021		2021 vs 2020	
	2022	2021	2020	Dollar Change	Percent Change	Dollar Change	Percent Change
Current and other assets	$ 48,330,544	$ 45,223,162	$ 38,399,916	$ 3,107,382	6.9%	$ 6,823,246	17.8%
Capital assets, net	39,560,515	40,139,312	41,033,649	(578,797)	-1.4%	(894,337)	-2.2%
Total assets	87,891,059	85,362,474	79,433,565	2,528,585	3.0%	5,928,909	7.5%
Deferred outflows of resources - Pension & OPEB	$ 621,339	$ 543,683	$ 852,907	$ 77,656	14.3%	$ (309,224)	-36.3%
Long-term liabilities	$ 12,020,712	$ 14,350,222	$ 18,499,296	$ (2,329,510)	-16.2%	$ (4,149,074)	-22.4%
Current liabilities	2,697,032	3,538,087	3,809,722	(841,055)	-23.8%	(271,635)	-7.1%
Total liabilities	14,717,744	17,888,309	22,309,018	(3,170,565)	-17.7%	(4,420,709)	-19.8%
Deferred inflows of resources - Pension & OPEB	$ 2,183,328	$ 1,951,291	$ 965,037	$ 232,037	11.9%	$ 986,254	0,102.2%
Net investments in capital assets	$ 27,876,034	$ 27,164,096	$ 26,803,968	$ 711,938	2.6%	$ 360,128	1.3%
Cumulative effect	1,335,402	1,335,402	0	0	0.0%	$ 1,335,402	100.0%
Restricted	6,558,726	6,442,361	6,437,990	116,365	1.8%	4,371	0.1%
Unrestricted	35,841,164	31,124,698	23,770,459	4,716,466	15.2%	7,354,239	30.9%
Total net position	$ 71,611,326	$ 66,066,557	$ 57,012,417	$ 5,544,769	8.4%	$ 9,054,140	15.9%

The Authority's Net Position increased $5.5 million (8.4%) and $9.1 million (15.9%) in 2022 and 2021, respectively. These increases are a result of excess revenue over expense.

The Authority decreased long-term liabilities by $2.33 million and $4.15 million in 2022 and 2021, respectively. These decreases are primarily from the decrease in the net pension and OPEB liability and the decrease in bonds and notes payable.

NET POSITION (Continued)

Deferred outflows and inflows of resources – pension was recorded based on RLCWA's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71, and GASB 75 based on a measurement date of December 31, 2021.

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION)

Table 2 summarizes the changes in Revenue and Expenses and the resulting change in Net Position.

TABLE 2

				2022 vs 2021		2021 vs 2020	
	2022	2021	2020	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating revenue	$ 18,233,307	$ 18,662,179	$ 17,842,457	$ (428,872)	-2.3%	$ 819,722	4.6%
Operating expenses	9,632,814	7,682,880	9,639,205	1,949,934	25.4%	(1,956,325)	-20.3%
Maintenance expenses	804,117	540,738	474,220	263,379	48.7%	66,518	14.0%
Depreciation expenses	2,484,864	2,447,935	2,473,167	36,929	1.5%	(25,232)	-1.0%
Total expenses	12,921,795	10,671,553	12,586,592	2,250,242	21.1%	(1,915,039)	-15.2%
Operating income	5,311,512	7,990,626	5,255,865	(2,679,114)	-33.5%	2,734,761	52.0%
Nonoperating revenue	827,638	365,266	588,329	462,372	126.6%	(223,063)	-37.9%
Nonoperating expenses	(594,381)	(637,154)	(673,252)	42,773	-6.7%	36,098	-5.4%
Nonoperating gain (loss)	233,257	(271,888)	(84,923)	505,145	-185.8%	(186,965)	0,220.2%
Change in net position	5,544,769	7,718,738	5,170,942	(2,173,969)	-28.2%	2,547,796	49.3%
Beginning net position	64,731,155	57,012,417	51,841,475	7,718,738	13.5%	5,170,942	10.0%
Cumulative effect	1,335,402	1,335,402	0	0	0.0%	1,335,402	0.0%
Ending net position	$ 71,611,326	$ 66,066,557	$ 57,012,417	$ 5,544,769	8.4%	$ 9,054,140	15.9%

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION) – (Continued)

Total operating revenue decreased $429 thousand (2.3%) and increased $820 thousand (4.6%) in 2022 and 2021, respectively. Investment income increased by $426 thousand (957.3%) resulting in the majority of the increase of $462 thousand (126.6%) in nonoperating revenue for 2022.

CAPITAL ASSETS

The Authority had $96.38 million and $94.51 million invested in capital assets (before depreciation and amortization) at December 31, 2022 and 2021, respectively, as shown in Table 3. This amount is an increase of $1.87 million (2.0%) and $1.46 million (1.6%) from the previous year.

TABLE 3

				2022 vs 2021		2021 vs 2020	
	2022	2021	2020	Dollar Change	Percent Change	Dollar Change	Percent Change
Land and easements	$ 706,232	$ 704,232	$ 704,232	$ 2,000	0.3%	0	0.0%
Buildings	2,651,182	2,626,645	2,579,585	24,537	0.9%	47,060	1.8%
Tanks, stations, and lines	78,087,671	76,382,462	75,285,638	1,705,209	2.2%	1,096,824	1.5%
Meters and replacements	10,137,702	10,137,702	10,137,702	0	0.0%	0	0.0%
Furniture and fixtures	1,831,895	1,688,196	1,558,058	143,699	8.5%	130,138	8.4%
Machinery, equipment, and vehicles	2,830,508	2,841,346	2,731,260	(10,838)	-0.4%	110,086	4.0%
Construction in progress	138,032	128,274	49,773	9,758	7.6%	78,501	157.7%
Total before depreciation	96,383,222	94,508,857	93,046,248	1,874,365	2.0%	1,462,609	1.6%
Accumulated depreciation and amortization	(56,822,707)	(54,369,545)	(52,012,599)	(2,453,162)	4.5%	(2,356,946)	4.5%
Total capital assets, net	$ 39,560,515	$ 40,139,312	$ 41,033,649	$ (578,797)		$ (894,337)	

CAPITAL ASSETS (Continued)

The increase in capital assets (before accumulated depreciation and amortization) from 2022 to 2021 was primarily for tanks, water tower upgrades, IBM server model, Nova pump station rehab, line extensions, and new front sign.

The increase in capital assets (before accumulated depreciation and amortization) from 2021 to 2020 was primarily for line extensions, relocation of lines, Nova transmission main, new parking lot, three trucks, an excavator, website redesign, and workforce program.

DEBT

Table 4 summarizes the Authority's long-term debt. The Authority issues long-term revenue bonds to finance much of its construction.

TABLE 4

				2022 vs 2021		2021 vs 2020	
	2022	2021	2020	Dollar Change	Percent Change	Dollar Change	Percent Change
Long-term debt:							
2015 Revenue bonds	$ 4,549,051	$ 5,251,983	$ 5,939,916	$ (702,932)	-13.4%	$ (687,933)	-11.6%
OWDA loans	5,251,530	5,794,433	6,317,765	(542,903)	-9.4%	(523,332)	-8.3%
USDA loans	1,883,900	1,928,800	1,972,000	(44,900)	-2.3%	(43,200)	-2.2%
Total long-term debt	11,684,481	12,975,216	14,229,681	(1,290,735)	-9.9%	(1,254,465)	-8.8%
Less: Current maturities	(1,011,421)	(968,860)	(942,465)	(42,561)	4.4%	(26,395)	2.8%
Net total long-term debt	$ 10,673,060	$ 12,006,356	$ 13,287,216	$ (1,333,296)	-11.1%	$ (1,280,860)	-9.6%
Net pension liability	$ 1,331,162	$ 2,313,130	$ 3,045,298	$ (981,968)	-42.5%	$ (732,168)	-24.0%
Net OPEB liability	$ -	$ -	$ 2,166,782	$ -	0.0%	$ (2,166,782)	-100.0%

See Note 4 of the financial statements for details of issuance and retirement of debt in 2022.

The Bond Reserve Fund and Bond Fund were established for payment of bond service charges and cancellation or redemption of bonds. The Bond Reserve Fund had a balance of $2,277,501 and $2,255,602 and the Bond Fund had a balance of $4,281,225 and $4,186,759 at December 31, 2022 and 2021, respectively. See Note 2 of the financial statements for more details on the Bond Reserve Fund and the Bond Fund.

DEBT (Continued)

Net pension liability in the amounts of $2,264,504 and $3,045,298 were recorded based on the Authority's proportionate share of OPERS' Schedule of Collective Pension Amounts per the requirements of GASB 68 and 71 based on a measurement date of December 31, 2021 and 2020, respectively, with the change between 2021 and 2022 due to changes in deferred inflows and deferred outflows of resources, and recording the GASB 68 pension expense.

DEBT COVERAGE

Table 5 reflects the ability of the Authority to pay both interest and the current principal installments on its outstanding debt.

TABLE 5

	2022	2021	2020
Operating revenue	$ 18,233,307	$ 18,662,179	$ 17,842,457
Nonoperating revenue - Interest	471,018	44,550	134,977
Total revenue	18,704,325	18,706,729	17,977,434
Less: Operations and maintenance expenses	(10,436,931)	(8,223,618)	(10,113,425)
Total revenue available for debt	$ 8,267,394	$ 10,483,111	$ 7,864,009
Revenue bond debt service - 2003, 2006, and 2015	$ 853,350	$ 849,550	$ 855,750
Revenue bond debt service - Rural development	135,390	135,005	135,340
OWDA Loans	376,034	376,036	376,036
Total debt service requirements	$ 1,364,774	$ 1,360,591	$ 1,367,126
Combined coverage ratio - All debt	6.06	7.70	5.75

The Authority is required to meet a revenue-to-debt ratio of 1.20 for its 2003, 2009, and 2015 revenue bonds and a 1.00 ratio for rural development bonds.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the General Manager of the Rural Lorain County Water Authority, 42401 Route 303, P.O. Box 567, LaGrange, Ohio 44050.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2022 and 2021

ASSETS	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents:		
General	$ 3,227,106	$ 1,986,554
Working capital	2,211,239	4,467,140
Capital improvements	25,788,761	21,532,860
Custodial funds	37,475	7,663
Receivables: (Note 1)		
Trade (net allowance for doubtful accounts of $70,431 in 2022 and $70,922 in 2021)	864,419	904,570
Unbilled (Note 1 and Note 16)	775,485	1,336,278
Other	151,626	167,516
Custodial funds	8,243	8,260
Inventory (Note 1)	1,085,293	716,732
Prepaid expenses (Note 1)	71,386	81,215
Total current assets	34,221,033	31,208,788
NONCURRENT ASSETS:		
AMHP, Cinnamon Lake receivable (Note 13)	1,058,006	1,166,534
Tap installments receivable (Note 13)	96,574	159,410
Restricted and Board designated cash and investments, at fair value (Note 2)	9,411,745	9,210,680
Investment in joint venture, at cost (Note 10)	3,002,168	3,157,429
Total noncurrent assets	13,568,493	13,694,053
CAPITAL ASSETS, AT COST: (Note 1)		
Capital assets not being depreciated:		
Land	325,446	325,446
Easements	380,786	378,786
Current construction	138,032	128,274
Total capital assets not being depreciated	844,264	832,506
Capital assets (net of accumulated depreciation and amortization of $56,822,707 in 2022 and $54,369,545 in 2021) (Note 2 and Note 16)	38,716,251	39,306,806
Total capital assets	39,560,515	40,139,312
OTHER ASSETS:		
Net pension asset (Note 6)	51,055	36,141
Net OPEB asset (Note 7)	489,963	284,180
Total other assets	541,018	320,321
DEFERRED OUTFLOW OF RESOURCES:		
Pension (Note 6)	612,697	381,714
OPEB (Note 7)	8,642	161,969
Total deferred outflow of resources	621,339	543,683
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 88,512,398	$ 85,906,157

Certain amounts in the prior year financial statements may have been reclassified to conform with the current year presentation.

See notes to the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2022 and 2021

LIABILITIES	2022	2021
CURRENT LIABILITIES:		
Current portion of lease liability	$ 14,246	$ 13,757
Current portion of long-term debt	1,011,421	968,860
Accounts payable	592,243	1,418,720
Tank painting (Note 11)	429,000	429,000
Taxes payable	(79)	0
Compensated absences payable (Note 1)	377,491	438,833
Tenant deposits	73,500	80,250
Subdivision rebates	47,250	32,000
Undistributed monies - custodial funds	10,047	10,879
Accrued expenses:		
Wages	38,814	34,581
Interest	103,099	111,207
Total current liabilities	2,697,032	3,538,087
NONCURRENT LIABILITIES: (Note 4)		
Lease liability	30,736	44,493
Less: Current portion - Lease liability	14,246	13,757
Lease liability, Net of current portion	16,490	30,736
Bonds and notes payable:		
2015 Series	4,549,051	5,251,983
OWDA	5,251,530	5,794,433
USDA	1,883,900	1,928,800
Total long-term debt	11,684,481	12,975,216
Less: Current portion - Long-term debt	1,011,421	968,860
Long-term debt, Net of current portion	10,673,060	12,006,356
Net pension liability (Notes 4 and 6)	1,331,162	2,313,130
Total noncurrent liabilities	12,020,712	14,350,222
DEFERRED INFLOW OF RESOURCES:		
Pension (Note 6)	1,671,914	1,051,745
OPEB (Note 7)	511,414	899,546
Total deferred inflow of resources	2,183,328	1,951,291
NET POSITION:		
Net investment in capital assets	27,876,034	27,164,096
Cumulative effect (Note 16)	1,335,402	1,335,402
Restricted for bonds payable	6,558,726	6,442,361
Unrestricted	35,841,164	31,124,698
Total net position	71,611,326	66,066,557
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 88,512,398	$ 85,906,157

Certain amounts in the prior year financial statements may have been reclassified to conform with the current year presentation.

See notes to the financial statements..

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUE:		
Water sales	$ 16,117,383	$ 16,467,976
Tap fees	2,054,336	2,090,760
Subdivision fees	61,588	103,443
Total operating revenue	18,233,307	18,662,179
OPERATING EXPENSES:		
Wages	2,292,110	2,222,414
O.P.E.R.S.	160,887	476,853
O.P.E.R.S. - Pension (Note 6)	(249,223)	(191,175)
O.P.E.R.S. - OPEB (Note 7)	(440,590)	(1,672,001)
Insurance	705,077	594,952
Payroll taxes	41,481	28,317
Legal and professional fees	131,849	114,719
Engineering fees	35,982	6,712
Telephone and utilities	66,762	66,697
Depreciation and amortization	2,484,864	2,447,935
Billing expense	83,348	66,857
Office equipment lease	5,465	18,957
Office supplies and expense	196,631	155,049
Clothing	20,759	20,531
Postage	105,594	113,093
Maintenance and repairs	983,867	540,737
Travel, mileage, and education expense	107,354	53,939
Gasoline	61,277	46,954
Water purchases	4,686,795	4,566,251
Distribution supplies	89,435	64,950
Electric pump station	408,469	408,271
Tap installations	707,800	339,646
Communication equipment	9,145	886
Miscellaneous expense	226,657	180,009
Total operating expenses	12,921,795	10,671,553
INCOME FROM OPERATIONS	5,311,512	7,990,626

Certain amounts in the prior year financial statements may have been reclassified to conform with the current year presentation.

See notes to the financial statements..

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2022 and 2021

	2022	2021
NONOPERATING REVENUE:		
Penalty income	$ 170,563	$ 129,254
Miscellaneous	135,257	131,478
1926(b) revenue	11,372	7,003
Water line reimbursements	9,478	14,283
Discounts earned	0	42
Investment income	471,018	44,550
ServLine billing service fees	29,800	15,923
Gain on disposal of assets	150	22,733
Total nonoperating revenue	827,638	365,266
Income from operations and nonoperating revenue	6,139,150	8,355,892
NONOPERATING EXPENSES:		
Interest expense	439,120	481,893
Change in value of investment in joint venture	155,261	155,261
Total nonoperating expenses	594,381	637,154
CHANGE IN NET POSITION	5,544,769	7,718,738
BEGINNING NET POSITION	66,066,557	57,012,417
Cumulative effect of accounting change (Note 16)	0	1,335,402
ENDING NET POSITION	$ 71,611,326	$ 66,066,557

Certain amounts in the prior year financial statements may have been reclassified to conform with the current year presentation.

See notes to the financial statements..

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 19,005,257	$ 18,984,857
Cash payments to suppliers for goods and services	(9,498,954)	(7,334,607)
Cash payments to employees and professional contractors for services and benefits	(3,220,791)	(3,259,475)
Net cash provided by operating activities	6,285,512	8,390,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase and construction of equipment	(1,906,217)	(1,487,248)
Right of use asset, net of amortization	0	(43,617)
Repayment of 2015 Series Bonds	(702,932)	(687,933)
Lease liability	(13,757)	44,493
Repayment of notes payable	(587,803)	(566,532)
Interest paid on bonds	(431,012)	(488,696)
Net cash used in capital and related financing activities	(3,641,721)	(3,229,533)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	471,018	44,550
Net cash provided by investing activities	471,018	44,550
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Other nonoperating activities	356,620	320,716
Net cash provided by non-capital activities	356,620	320,716
INCREASE IN CASH AND CASH EQUIVALENTS	3,471,429	5,526,508
CASH AND CASH EQUIVALENTS - Beginning of period	37,204,897	31,678,389
CASH AND CASH EQUIVALENTS - End of period	$ 40,676,326	$ 37,204,897

See notes to the financial statements

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$ 5,311,512	$ 7,990,626
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,484,864	2,447,935
(Gain) loss on disposal of assets	(150)	(22,733)
Bad debts	332	441
Cumulative effect of accounting change	0	1,335,402
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	771,950	(1,014,041)
Custodial funds	17	0
Inventory	(368,561)	(148,976)
Net Pension asset	(14,914)	(10,509)
Net OPEB asset	(205,783)	(284,180)
Deferred outflows of resources-pension	(230,983)	121,315
Deferred outflows of resources-OPEB	153,327	187,909
Prepaid expenses	9,829	5,266
Increase (decrease) in:		
Accounts payable	(826,477)	(245,884)
Taxes payable	(79)	(480)
Compensated absences payable	(61,342)	(57,962)
Subdivison rebates	15,250	0
Tenant deposits	(6,750)	(8,600)
Custodial funds	(832)	0
Accrued expenses	4,233	7,942
Net Pension Liability	(981,968)	(732,168)
Net OPEB liability	0	(2,166,782)
Deferred inflows of resources-pension	620,169	395,202
Deferred inflows of resources-OPEB	(388,132)	591,052
Net cash provided by operating activities	$ 6,285,512	$ 8,390,775

See notes to the financial statements

Note 1. Summary of Significant Accounting Policies:

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was created by the court on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority was organized as a nonprofit corporation for the purpose of providing a water supply for domestic, industrial, and public use to users within and outside the district. The Authority is exempt from federal income tax. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district. The following is a summary of significant accounting policies:

A. Introduction:

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Basis of Accounting:

The Rural Lorain County Water Authority prepares its financial statements on an accrual basis. By virtue of its by-laws, the Authority is required to make appropriations in accordance with budgetary policies.

C. Investments:

Investment procedures are restricted by the Provisions of the Ohio Revised Code. Short-term investments consist of certificates of deposit, U.S. Government Income Funds, or U.S. Treasury Funds. Long-term investments consist of U.S. Treasury Bonds and Notes. Investments are reported at fair value which is based on quoted market prices.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Note 1. Summary of Significant Accounting Policies (Continued):

D. Budgetary Process:

Budget – Thirty days before the end of each fiscal year a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the General Manager. The Board may amend said budget as it deems proper. The Board of Trustees then approves the budget in its original or amended form.

Appropriations – After the budget is approved by the Board, the Board then makes appropriations of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed $50,000, provided there are sufficient funds appropriated and remaining in the account of the fund from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriation of funds and may also transfer any part of an unencumbered balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient. During the year, supplemental appropriations were authorized; however, none of these amendments are significant.

E. Recent Accounting Pronouncement

In June 2020, the Governmental Accounting Standards Board (GASB) issued Accounting Standards No. 87, *Leases*. This AS requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee is a single model approach meaning a distinction between operating and capital leases no longer exists. GASB No. 87 also requires additional disclosure on the amount, timing and uncertainty of cash flows arising from leases. The System adopted GASB No. 87 on January 1, 2022, using a modified retrospective approach. The System also elected the package of practical expedients permitted under the new standard that allowed the System to carry forward historical lease classification. The impact of adoption on the statement of net position was an increase on January 1, 2022 in capital assets to record right-of use assets of approximately $43,617 and an increase in other current and noncurrent liabilities to record lease obligations for current finance leases of approximately $44,493 representing the present value of remaining lease payments for finance leases and a cumulative effect adjustment of $876. The impact of adopting GASB 87 was not material to total statement of net financial position.

Note 1. Summary of Significant Accounting Policies (Continued):

E. Recent Accounting Pronouncement (Continued):

Effective January 1, 2022, the authority adopted ASC (Accounting Standards Committee) Topic 606 Revenue Recognition. The ASC 606 states that revenue should be recognized when or as a company satisfies a performance obligation. Unbilled account receivables are considered revenue that is unconditionally due. An invoice for the revenue is produced at a later date. The statements of revenue, expenses and changes in net position for 2021 has not been restated. The impact of adoption on the statement of net position was an increase on January 1, 2022 in receivables to record unbilled account receivables in the amount $1,335,402 and a cumulative effect adjustment of $1,335,402.

F. Inventory:

Inventory, which consists of raw materials, is stated at the lower of cost or market. In general, cost as applied to inventory valuation represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory.

G. Capital Assets:

The minimum capitalization threshold is any individual item with a total cost of greater than $750 and a useful life of more than one year. Capital assets including major renewals or betterments are capitalized and stated at historical cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. Expenditures for major renewals, betterments, adaptations, or restorations that extend the useful lives of property and equipment are capitalized.

Note 1. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued):

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

Water Lines and Water Tanks	40 Years
Pump Stations	20 Years
Buildings and Building Improvements	4-20 Years
Machinery, Equipment, and Office Furniture	3-10 Years

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

The Authority, by action of its Board, has adopted the policy of capitalizing meter replacement costs over a ten-year period with one-half year of depreciation being taken in the year of replacement. In 1992 and prior years, the Authority expensed all replacement meters at the time of installation.

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

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was $1,240,856 and $1,220,584, respectively.

Note 1. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued):

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

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Land	$ 325,446	$ -	$ -	$ 325,446
Easements	378,786	2,000	-	380,786
Buildings	2,626,645	24,537	-	2,651,182
Tanks, stations, and lines	76,382,462	1,705,209	-	78,087,671
Meters and replacements	10,137,702	-	-	10,137,702
Furniture and fixtures	1,688,196	143,699	-	1,831,895
Machinery, equipment, and vehicles	2,841,346	20,864	(31,702)	2,830,508
Current construction	128,274	9,758	-	138,032
	94,508,857	1,906,067	(31,702)	96,383,222
Less accumulated depreciation				
Buildings	(2,310,349)	(38,227)	-	(2,348,576)
Tanks, stations, and lines	(43,331,602)	(1,702,954)	-	(45,034,556)
Meters and replacements	(4,913,697)	(504,287)	-	(5,417,984)
Furniture and fixtures	(1,518,983)	(65,307)	-	(1,584,290)
Machinery, equipment, and vehicles	(2,294,914)	(174,089)	31,702	(2,437,301)
Total accumulated depreciation	(54,369,545)	(2,484,864)	31,702	(56,822,707)
Net capital assets	$ 40,139,312	$ (578,797)	$ -	$ 39,560,515

Note 1. Summary of Significant Accounting Policies (Continued):

G. Capital Assets (Continued):

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

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Land	$ 325,446	$ -	$ -	$ 325,446
Easements	378,786	-	-	378,786
Buildings	2,579,585	47,060	-	2,626,645
Tanks, stations, and lines	75,285,638	1,096,824	-	76,382,462
Meters and replacements	10,137,702	-	-	10,137,702
Furniture and fixtures	1,558,058	144,833	(14,695)	1,688,196
Machinery, equipment, and vehicles	2,731,260	206,237	(96,151)	2,841,346
Current construction	49,773	78,501	-	128,274
	93,046,248	1,573,455	(110,846)	94,508,857
Less accumulated depreciation				
Buildings	(2,266,145)	(44,204)	-	(2,310,349)
Tanks, stations, and lines	(41,641,476)	(1,690,126)	-	(43,331,602)
Meters and replacements	(4,406,685)	(507,012)	-	(4,913,697)
Furniture and fixtures	(1,484,720)	(48,958)	14,695	(1,518,983)
Machinery, equipment, and vehicles	(2,213,573)	(177,492)	96,151	(2,294,914)
Total accumulated depreciation	(52,012,599)	(2,467,792)	110,846	(54,369,545)
Net capital assets	$ 41,033,649	$ (894,337)	$ -	$ 40,139,312

H. Prepaid Expenses:

Prepaid expenses are expensed over their economic useful lives.

Note 1. Summary of Significant Accounting Policies (Continued):

I. Leases:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued):

J. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

K. Compensated Absences Payable:

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

Sick leave accumulates to employees at a rate of 4.6 hours for every 80 hours of service. Upon retirement, employees are entitled to 100% of their accumulated sick leave balance at the rate of pay at the time of retirement if an employee was hired before December 31, 2000. If an employee was hired on or after January 1, 2001, and retires, their accumulated sick leave is paid out at the rate of pay that it was accrued. In the event of the employee's death, 100% of their accumulated sick leave balance would be paid to the employee's life insurance beneficiary. The employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses, years of service at retirement, or death. A liability for unused sick leave is not recorded in the financial statements unless the employee has accumulated sick leave after becoming eligible for retirement, which would be payable in its entirety. The unrecorded estimated unused sick leave for the years ended December 31, 2022 and 2021 was $368,052 and $385,256, respectively; the recorded estimated unused sick leave and vacation for the years ended December 31, 2022 and 2021 reflected in the compensated absences payable amount on page 14 was $357,353 and $434,826, respectively.

L. Statements of Cash Flows - Proprietary Fund Type:

For the purposes of the Statements of Cash Flows, all liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents. The statement of Cash Flows includes additions and deductions to the custodial fund accounts. Cash and cash equivalents as of December 31, 2022 and 2021, consist of:

Note 1. Summary of Significant Accounting Policies (Continued):

L. Statements of Cash Flows – Proprietary Fund Type (Continued):

	2022	2021
Cash:		
General	$ 3,227,106	$ 1,986,554
Working capital	2,211,239	4,467,140
Capital improvements	25,788,761	21,532,860
Restricted cash and investments	9,411,745	9,210,680
Custodial funds	37,475	7,663
	$40,676,326	$37,204,897

M. Use of Estimates:

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

N. Receivables:

The Authority considers receivables to be collectible with an allowance for doubtful accounts that is based on the Authority's collection receivable policy.

O. Net Position:

The Authority has restricted net position to be used to fund future debt service requirements. None of the Authority's restricted net position of $6,558,726 and $6,442,361, for 2022 and 2021, respectively, was restricted by enabling legislation.

P. Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of net position will 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 that time. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension are explained in Note 7. The deferred outflows of resources related to OPEB are explained in Note 8.

Note 1. Summary of Significant Accounting Policies (Continued):

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

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (income) until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension are explained in Note 6. The deferred inflows of resources related to OPEB are explained in Note 7.

Q. Pensions:

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

R. Operating and Nonoperating Revenue and Expenses:

Operating revenue and expenses generally result from providing a water supply for the Authority's users. The principal operating revenue of the Authority consists of charges to customers for sales of water and taps. Operating expenses include the cost of water and tap sales, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Description of Funds:

A. Revenue Fund:

This fund receives all revenues from operations, and it is maintained in the custody of the Authority, separate and distinct from all other funds of the Authority. With the exception of investment income on funds other than the Revenue Fund, all revenue shall be deposited in the Revenue Fund. Expenditures from this fund are limited to all reasonable and proper expenses of operating, repairing, and maintaining the system, excluding depreciation and capital replacements. Also, required payments are made into the remaining funds from this fund.

Note 2. Description of Funds (Continued):

B. Bond Reserve Fund:

This fund is maintained in the custody of the Trustee as a trust fund and shall be used solely for the payment of bond service charges on the bonds, and to the extent provided herein, by purchase for cancellation or redemption of bonds. Payment shall be made by the Authority on or before the 20th of each month to fund this account until the balance exceeds one year's bond requirements. This fund was fully funded at the time bonds were issued.

C. Bond Fund:

This fund is maintained in the custody of the Trustee as a trust fund and is used solely for the payment of bond service charges provided herein, by purchase for cancellation or redemption of bonds. The Authority is required by bond agreement to make monthly payments to the fund for interest and redemption payments on or before the 20th of each month.

D. Replacement and Improvement Fund:

This fund is maintained in the custody of the Trustee as a trust fund separate and distinct from all other funds of the Authority. The monies held in the Replacement and Improvement Fund are transferred to the Bond Fund, to the extent necessary from time-to-time, after applying to that purpose any monies then in the System Reserve Fund, to permit the payment of all obligations payable from the Bond Fund without drawing on the Bond Reserve Fund and, otherwise, shall be used solely to replace obsolete or worn-out equipment or to make improvements to the system, or, with funds in the Bond Fund and Bond Reserve Fund and other funds made available by the Authority, to retire by purchase or by call, all or part of the Bonds from time-to-time outstanding. The Authority may borrow from this fund for any improvements unless it is in default of its bond obligations.

E. Project/Administration Fund:

This fund is maintained in the custody of the Trustee as a separate account and monies in the fund will be used for expansion and capital additions to the water system.

The fund had a balance of $0- and $0- as of December 31, 2022 and 2021, respectively.

Note 2. Description of Funds (Continued):

F. System Reserve Fund (Capital Improvements):

This fund is maintained in the custody of the Authority as a trust fund separate and distinct from all other funds of the Authority. The monies held in the System Reserve Fund shall be transferred to the Bond Fund, to the extent necessary from time-to-time, to permit the payment of all obligations payable from the Bond Fund without drawing upon the Replacement and Improvement Fund or Bond Reserve Fund, or may be transferred to the appropriate fund of the Authority to permit the payment of principal and interest on any general obligation bonds, or notes issued in anticipation thereof, issued by the Authority to pay costs of improvements to the system, and otherwise may be used for any other lawful system purpose, including without limitation, the retirement of outstanding bonds by call for redemption or by purchase for cancellation.

G. Employee Policy Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $10,000 are made each month. Monies in this fund will be used for employees entitled to 100% of their accumulated sick leave balance after becoming eligible for retirement.

H. OWDA Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $53,000 are made each month, plus Cinnamon Lake assessments that are collected by the Ashland County Auditor and deposited on a semi-annual basis. Monies in this fund will be used to pay the semi-annual Ohio Water Development Authority loan payments.

I. Restricted and Board Designated Cash and Investments:

	2022	2021
Bond reserve fund	$2,256,214	$2,255,666
Bond fund	4,472,780	4,459,255
OWDA fund	450,357	817,897
Replacement and improvement fund	750,969	750,822
Employee policy fund	1,640,632	1,143,505
	$9,411,745	$9,210,680

Note 3. Equity in Pooled Cash and Investment:

The Rural Lorain County Water Authority maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash.

A. Legal Requirements:

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

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must 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 represent interim monies that are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies can be deposited or invested in the following securities:

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

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

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

A. Legal Requirements (Continued):

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

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

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this note are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this footnote, or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio; and

10. Banker's acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's average portfolio.

Protection of the Authority'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 Authority by the financial institution, or through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or a debt of the Authority 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 Authority or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

B. Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party.

Based on the criteria described in GASB Statement No. 40, *"Deposits and Investment Risk Disclosures,"* as of December 31, 2022 and 2021, $500,000 and $500,000 of the Authority's bank balances of $33,550,383 and $30,194,268, respectively, were covered by federal depository insurance. The remaining balances were covered by specific securities held by the pledging financial institution's trust department in the Authority's name. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Authority 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Ohio Treasurer of State. The OPCS is a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method.

C. Investments:

As of December 31, 2022, the Authority had the following investments:

Investment Type	Fair Value	% of Total	Maturities (in Years) Less than 1	1-5
Money Market	$ 51,109	0.7%	$ 51,109	-0-
First American Treasury Obligation	758,353	10.4%	$ 758,353	-0-
Federated Treasury Obligation Fund	6,507,617	88.9%	$ 6,507,617	-0-
	$7,317,079			

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

C. Investments (Continued):

As of December 31, 2021, the Authority had the following investments:

Investment Type	Fair Value	% of Total	Maturities (in Years) Less than 1	1-5
First American Treasury Obligation	$ 750,803	10.4%	$ 750,803	-0-
Federated Treasury Obligation Fund	6,442,362	89.6%	6,442,362	-0-
	$7,193,165			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the Authority's policy to hold instruments to maturity, limiting any investment to a maximum of five years. The targeted weighted average days to maturity for the overall Authority portfolio is not more than two years. In addition, Ohio law prescribes that all Authority investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2022, the Authority's investment in U.S. instrumentalities were all rated AAA by Standard and Poor's and AAA by Moody's Investors Service. As of December 31, 2021, the Authority's investment in U.S. instrumentalities were all rated AAA by Standard and Poor's and AAA by Moody's Investors Service.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Authority to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. The Authority's securities associated with the principal and interest payment of bond proceeds in the amount of $6,558,726 and $6,442,361, for 2022 and 2021, respectively, are held in the account of U.S. Bank. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer but does not identify specific limits on the amounts that may be so invested. More than five percent of the Authority's investments are in United States Treasury Bills, Federated Treasury Obligation Fund, and U.S. Treasury Funds.

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

D. Fair Value Hierarchy:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs-other than quoted prices included within level 1-that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2022:

	Level 1	Level 2	Total
Money markets and certificates of deposit	$2,145,775	$ -0-	$2,145,775
Treasury obligations	-0-	7,265,970	7,265,970
Total investments at fair value	$2,145,775	$7,265,970	$9,411,745

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2021:

	Level 1	Level 2	Total
Money markets and certificates of deposit	$2,017,515	$ -0-	$2,017,515
Treasury obligations	-0-	7,193,165	7,193,165
Total investments at fair value	$2,017,515	$7,193,165	$9,210,680

Note 4. Long-Term Debt:

A summary of long-term debt for the year ended December 31, 2022 is as follows:

Description	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Due Within One Year
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,114,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	$ 1,144,000	$ -0-	$ 30,000	$ 1,114,000	$ 32,000
A Water Resource Improvement Revenue Bond, Series 2009 is due in the amount of $784,800. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	784,800	-0-	14,200	769,900	15,400
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $4,590,000 plus a premium of $638,017. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	5,251,983	-0-	702,932	4,549,051	685,000
A total of $5,525,474 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	5,794,433	-0-	542,903	5,251,530	279,021
	$ 12,975,216	$ -0-	$ 1,290,735	$ 11,684,481	$ 1,011,421

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2022 is as follows (Continued):

Description	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Due Within One Year
A net pension liability in the amount of $2,264,504 was recorded based on the Authority's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2021.	$ 2,313,130	$ -0-	$981,968	$ 1,331,162	$ -0-

Description	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Due Within One Year
A net OPEB liability (asset) in the amount of $(284,180) was recorded based on the Authority's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2021.	$(284,180)	$ (205,783)	$-0-	$ (489,963)	$ -0-

Note 4. Long-Term Debt (Continued):

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

Description	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Due Within One Year
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,144,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	$ 1,173,000	$ -0-	$ 29,000	$ 1,144,000	$ 30,000
A Water Resource Improvement Revenue Bond, Series 2009 is due in the amount of $799,000. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	799,000	-0-	14,200	784,800	14,900
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $5,230,000 plus a premium of $685,949. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	5,939,916	-0-	687,933	5,251,983	655,000
A total of $6,058,500 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	6,317,765	-0-	523,332	5,794,433	268,960
	$ 14,229,681	$ -0-	$ 1,254,465	$ 12,975,216	$ 968,860

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2021 is as follows (Continued):

Description	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Due Within One Year
A net pension liability in the amount of $3,045,298 was recorded based on the Authority's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2020.	$3,045,298	$ - 0-	$732,168	$ 2,313,130	$ -0-

Description	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Due Within One Year
A net OPEB liability (asset) in the amount of $(284,180) was recorded based on the Authority's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2020.	$ 2,166,782	$ -0-	$2,450,962	$(284,180)	$ -0-

Note 4. Long-Term Debt (Continued):

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

Year Ending December 31,	Principal	Interest	Total
2023	$ 1,011,421	$ 353,355	$ 1,364,776
2024	1,332,855	405,123	1,737,978
2025	896,926	356,684	1,253,610
2026	931,009	321,960	1,252,969
2027	971,934	285,910	1,257,844
2028-2032	4,217,286	834,264	5,051,550
2033-2037	819,600	307,014	1,126,614
2038-2042	516,400	159,018	675,418
2043-2047	280,800	51,002	331,802
2048-2049	92,200	6,094	98,294
Total	$ 11,070,431	$ 3,080,424	$ 14,150,855

The 2003, 2009, and 2015 Series bonds, OWDA loans, and USDA bonds are payable from the revenues of the Authority after the payment of operating and maintenance costs. The bonds are secured by a pledge of the monies and securities on deposit in the Reserve Fund, the Replacement and Improvement Fund, and the System Reserve Fund. The bond indentures require, among other provisions, that the Authority maintain the system in good operating condition and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid. The table above does not include the premium of $638,017 on the 2015 Series bonds. In addition, the indenture requires the establishment of certain funds as discussed in Note 2.

The 2003B and 2006 Series revenue bonds were refunded with the issuance of the 2015 Series revenue bonds. Interest cost savings on the issuance of the 2015 Series and refunding of the 2003B and 2006 Series revenue bonds was 2.27% in interest cost for a total savings in dollars of $1,193,245. The interest savings averages approximately $75,000 per year with total savings in today's dollars of approximately $1,000,000.

Note 5. Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

The Authority is exposed to various tasks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

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

Note 6. Retirement Commitments:

Net Pension Liability:

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

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

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report [Annual Comprehensive Financial Report (ACFR)] 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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

Group A	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 five years of service credit or Age 55 with 25 years of service credit	Age 60 with five years of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with five 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 years	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

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

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

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

	2021 and 2022 State and Local
Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $358,471 and $341,516 for year 2022 and 2021, respectively. Of these amounts, $-0- 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 was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority'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
Proportionate Share of the Net Pension Liability	$1,331,162
Proportion of the Net Pension Liability	0.015300%
Pension Expense	$(314,717)

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority'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
Proportionate Share of the Net Pension Liability	$2,313,130
Proportion of the Net Pension Liability	0.015621%
Pension Expense	$476,853

At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022 OPERS	2021 OPERS
Deferred Outflows of Resources		
Differences between expected and actual experience	$ 68,178	$ -0-
Changes in assumptions	169,026	2,257
Net differences between projected and actual earnings on pension plan investments	-0-	-0-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	17,022	37,941
Authority contributions subsequent to the measurement date	358,471	341,516
Total deferred outflows of resources	$ 612,697	$ 381,714

	2022 OPERS	2021 OPERS
Deferred Inflows of Resources		
Differences between expected and actual experience	$ 34,906	$ 103,578
Changes in assumptions	-0-	-0-
Net differences between projected and actual earnings on pension plan investments	1,594,314	906,966
Changes in proportion and differences between Authority contributions and proportionate share of contributions	42,694	41,201
Total deferred inflows of resources	$ 1,671,914	$ 1,051,745

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

$358,471 and $341,516 reported as deferred outflows of resources for 2022 and 2021, respectively, related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	2022 OPERS	2021 OPERS
Fiscal Year Ending December 31:		
2022	$ 0	$ (401,303)
2023	(230,328)	(118,026)
2024	(559,812)	(369,439)
2025	(374,504)	(123,342)
2026	(253,274)	388
2027 and Thereafter	230	175
Total	$(1,417,688)	$(1,011,547)

The net pension liability at December 31, 2022 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	2022	2021
Proportionate Share of the Net Pension: Liability	$1,331,162	$2,313,130
Proportion of the Net Pension: Liability	0.015300%	0.015621%

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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3.00 percent simple	3.00 percent simple
Post-January 7, 2013	3.00 percent simple through 2022, Then 2.05 percent simple	0.50 percent simple through 2021, then 2.15 percent simple
Investment Rate of Return	6.9 percent	7.20 percent
Actuarial Cost Method	individual entry age	individual entry age

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For 2020, mortality rates were based on the RP-2014 Healthy Annuitant Table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above-described table.

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

OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annualized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.34% for 2021.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00%	1.02%
Domestic Equities	21.00	3.78%
Real Estate	11.00	3.66%
Private Equity	12.00	7.43%
International Equities	23.00	4.88%
Other Investments	9.00	5.77%
Total	100.00%	4.21%

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability or asset calculated using the current period discount rate assumption of 6.9 percent, as well as what the Authority'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 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Authority's proportionate share of the net pension:			
Asset	$ 38,097	$ 51,055	$ 61,162
Liability	$3,509,667	$1,331,162	$(481,644)

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans:

Net OPEB Liability

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Net OPEB Liability (Continued)

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

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

In order to qualify for postemployment health care coverage, age-and-service retirees under Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' 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 Annual Comprehensive Financial Report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2022 and 2021, respectively. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar years 2022 and 2021. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for Member-Directed Plan participants for 2022 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $-0- for 2022. Of this amount, $-0- is reported as an intergovernmental payable.

The total employer contribution rates stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Rural Lorain County Water Authority used to fund health care were $-0- and $-0- for 2022 and 2021, respectively.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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 Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

Following is information related to the proportionate share and OPEB expense:

Proportion of the Net OPEB Liability(Asset):	
Current Measurement Date	0.015643%
Prior Measurement Date	0.015951%
Change in Proportionate Share	0.000308%
Proportionate Share of the Net OPEB Liability (Asset)	$(489,963)
OPEB Expense (Income)	$(440,590)

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

	2022 OPEB	2021 OPEB
Deferred Outflows of Resources:		
Differences between expected and actual experience	$ -0-	$ -0-
Changes in assumptions	-0-	139,706
Net difference between projected and actual earnings on OPEB plan investments	-0-	-0-
Changes in proportion and differences between Authority Contributions and proportionate share of contributions	8,642	22,263
Authority contributions subsequent to the measurement date	-0-	-0-
Total deferred outflows of resources	$ 8,642	$161,969
Deferred Inflows of Resources:		
Differences between expected and actual experience	$ 74,320	$256,471
Changes in assumptions	198,331	460,456
Net difference between projected and actual earnings on OPEB plan investments	233,580	151,358
Changes in proportion and differences between Authority Contributions and proportionate share of contributions	5,183	31,261
Total deferred outflows of resources	$511,414	$899,546

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

$-0- reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Amount
2023	$(307,833)
2024	(110,357)
2025	(51,036)
2026	(33,546)
	$(502,772)

Actuarial Assumptions - OPERS

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	6.00 percent	6.00 percent
Prior Measurement date	6.00 percent	3.16 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.50 percent, initial 3.50 percent, ultimate in 2034	8.50 percent, initial 3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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, any contributions made into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.34 percent for 2021.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate	7.00	3.71
Private Equity	0.00	0.00
International Equities	25.00	4.88
Other Investments	9.00	4.85
Total	100.00%	3.45%

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2035.

As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's proportionate share of the net OPEB liability/(asset)	$(288,144)	$(284,180)	$(657,475)

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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

Retiree health care valuations use a health care cost-trend assumption with changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 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.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability/(asset)	$(495,527)	$(489,963)	$(483,682)

Note 8. Leasing Arrangements:

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

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

	2022	2021
Right-of use assets:		
Capital assets, Net	$29,639	$43,617

Note 8. Leasing Arrangements (Continued):

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

Company	Lease Commencement Date	Years	Lease End Date	Payment Method
CCT Financial	2020	4	2024	Monthly
CCT Financial	2020	5	2025	Monthly
CCT Financial	2021	5	2026	Monthly

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

Component of Lease Expense	Classification	2022	2021
Operating lease expense	Lease expense	$ 0	$ 14,778
Short-term variable lease	Lease expense	5,465	4,178
Financing lease interest	Interest expense	1,339	0
Financing lease amortization	Depreciation and amortization	13,978	0
Total lease expense		$ 20,782	$ 18,956

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

Year Ending December 31,	Principal	Interest	Total
2023	$ 14,246	$ 849	$ 15,095
2024	9,541	404	9,945
2025	6,633	120	6,753
2026	316	1	317
Total	$ 30,736	$ 1,374	$ 32,110

Note 9. Commitments:

A. Water Purchase Agreements:

The Authority's original and primary source of water (approximately 83.33%) has been the City of Avon Lake's water treatment plant located in northern Lorain County. On April 30, 1975, the Authority signed a long-term water purchase agreement with the City of Avon Lake with maximum amounts of water to be supplied per month.

The Authority purchases water from the Village of New London (approximately 10.29%) as a supplement to the water purchased from the City of Avon Lake. In addition to the Avon Lake agreement, the Authority signed a long-term water purchase agreement in 1996 with New London with maximum amounts of water to be supplied per month.

B. Water Supply Agreements:

The Authority has long-term agreements with various villages and municipalities to provide water in emergencies and at monthly bulk rates. The terms of the agreements vary with each municipality as to rate and period of time.

Note 10. Investment in Joint Venture:

The Authority is a member of the Medina-Lorain Water Consortium (the Consortium), which is a joint venture between the City of Avon Lake, the City of Medina, Medina County, and the Rural Lorain County Water Authority. The Consortium was created in 1999 for the purpose of construction, operation and maintenance of a water transmission line to serve members of the Consortium, and for the purpose of bulk water delivery from the City of Avon Lake. There is an ongoing financial responsibility for all parties for the maintenance and repair of the project. The Consortium is governed by representatives of the member parties. The City of Avon Lake serves as the fiscal agent for the Consortium. As of December 31, 2022 and 2021, the Authority's equity interest, at net book value, in the Consortium was $3,079,798 and $3,235,059, respectively. Financial information can be obtained from the City of Avon Lake, Finance Director, 150 Avon Belden Road, Avon Lake, Ohio 44012.

Note 11. Tank Painting:

A payable in the amount of $429,000 is due for the painting of the LaGrange tanks in 2010. The payment is pending certification by the vendor, with payroll records, of the payment of prevailing wages as required by the Bureau of Wage and Hour Administration of the Ohio Department of Commerce. As of December 31, 2022, the certification has not been received, therefore, the payment has not been made.

Note 12. Change in Accounting Principle:

GASB 84, Fiduciary Activities, was to be effective for the Authority for the year ended December 31, 2022. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

Note 13. Amherst Mobile Home Park and Cinnamon Lake Tap Fees Receivable, Medina County ETLl Receivable, and Tap Installments Receivable:

A receivable in the amount of $218,044 and $231,577 is due at December 31, 2022 and 2021, respectively, for a new water system for the residents of the Amherst Mobile Home Park. The fees are being collected by the Lorain County Auditor biannually over 20 years through July 2034, including interest at 3.00%.

A receivable in the amount of $948,163 and $1,040,470 is due at December 31, 2022 and 2021, respectively, for tap fees from the residents of Cinnamon Lake. The fees are being collected by the Ashland County Auditor biannually over 20 years through July 2030, including interest at 2.87%.

A receivable in the amount of $0 and $0 is due at December 31, 2022 and 2021, respectively, for Medina County's portion of relocation costs for the ETL (Eastern Transmission Line) 1. Medina County is being billed biannually through July 2021, including interest at 2.20%.

A receivable in the amount of $101,438 and $167,783 is due at December 31, 2022 and 2021, respectively, for new taps purchased by customers under an installment purchase plan. A down payment can be made for any amount equal to or over and above the minimum required down payment of $800. Payments are being made over 36 months including a monthly fee of $10.

Note 14. COVID-19:

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 15. Cumulative Effect of Accounting Change:

For the years beginning after December 15, 2021, both ASC (Accounting Standards Committee) Topic 606 Revenue Recognition and GASB No. 87 leases went into effect. For comparative purposes the Statement of Net Positive as of December 31, 2021 has been restated to reflect these changes.

Effective January 1, 2022, the authority adopted ASC (Accounting Standards Committee) Topic 606 Revenue Recognition. The ASC 606 states that revenue should be recognized when or as a company satisfies a performance obligation. Unbilled account receivables are considered revenue that is unconditionally due. An invoice for the revenue is produced at a later date. The statements of revenue, expenses and changes in net position for 2021 has not been restated. The impact of adoption on the statement of net position was an increase on January 1, 2022 in receivables to record unbilled accounts receivable in the amount $1,336,278 and a cumulative effect adjustment of $1,336,278.

Note 15. Cumulative Effect of Accounting Change (Continued):

In June 2020, the Governmental Accounting Standards Board (GASB) issued Accounting Standards No. 87, *Leases*. This AS requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. The impact of adoption on the statement of net position was an increase on January 1, 2022 in property, plant and equipment to record right-of use assets, net of approximately $43,887 and an increase in other current and noncurrent liabilities to record lease obligations for current finance lease of approximately $44,493 representing the present value of remaining lease payments for finance leases and a cumulative effect adjustment for $876. The impact of adopting GASB 87 was not material to total statement of net financial position.

As of January 1, 2022, the Authority recognized revenue for the unbilled accounts receivable in the amount of $1,336,278 and expense from leases of $876, net cumulative effect is $1,335,402 and $1,335,402 for the years ended December 31, 2022 and 2021, respectively.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Eight Years (*)

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's Proportion of the Net Pension Liability	0.015300%	0.015621%	0.015407%	0.016439%	0.016923%	0.016762%	0.016152%	0.015823%
Authority's Proportionate Share of the Net Pension Liability	$ 1,331,162	$ 2,313,130	$ 3,045,298	$ 4,502,309	$ 2,654,891	$ 3,793,682	$ 2,863,553	$ 2,141,991
Authority's Covered-Employee Payroll	$ 2,439,400	$ 2,412,364	$ 2,370,007	$ 2,436,700	$ 2,364,846	$ 2,189,742	$ 2,010,317	$ 1,941,758
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	54.57%	95.89%	128.49%	184.77%	112.26%	173.25%	142.44%	110.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.54%

*Information prior to 2015 is not readily available.

See accompanying notes to the Required Supplementary Information.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Eight Years (*)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 358,471	$ 341,516	$ 337,731	$ 331,801	$ 341,138	$ 307,430	$ 262,769	$ 241,238
Contributions in Relation to the Contractually Required Contribution	(358,471)	(341,516)	(337,731)	(331,801)	(341,138)	(307,430)	(262,769)	(241,238)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,560,507	$ 2,439,400	$ 2,412,364	$ 2,370,007	$ 2,436,700	$ 2,364,846	$ 2,189,742	$ 2,010,317
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

*Information prior to 2015 is not readily available.

See accompanying notes to the Required Supplementary Information.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Five Years (*)

	2022	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Liability	0.015643%	0.015951%	0.015687%	0.016799%	0.01670%
Authority's Proportionate Share of the Net OPEB Liability	$ (489,963)	$ (284,180)	$ 2,166,782	$ 2,190,193	$ 1,813,497
Authority's Covered-Employee Payroll	$2,560,507	$ 2,439,400	$ 2,412,364	$ 2,370,007	$ 2,436,700
Authority's Proportionate Share of the Net OPEB Liaiblity as a Percentage of its Covered-Employee Payroll	-19.14%	-11.65%	89.82%	92.41%	74.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%	54.14%

* Information prior to 2018 is not available.

See accompanying notes to the Required Supplementary Information.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Authority OPEB Contributions
Ohio Public Employees Retirement System

Last Six Years (*)

	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0	$ 0	$ 23,648
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	0	(23,648)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,560,507	$ 2,439,400	$ 2,412,364	$ 2,370,007	$ 2,436,700	$ 2,364,800
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

* Information prior to 2017 is not available.

See accompanying notes to the Required Supplementary Information.

Changes in Assumptions – OPERS OPEB Pension

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

	2019	2018 and 2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA			
Pre-January 7, 2013	3.00 percent simple	3.00 percent simple	3.00 percent simple
Post-January 7, 2013	See below	See below	See below
Investment Rate of Return	7.20 percent	7.50 percent	8.00 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows:

2022	3.0 percent simple through 2021, then 2.05 percent simple
2021	.50 percent simple through 2021, then 2.15 percent simple
2020	1.40 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3.00 percent simple through 2019, then 2.15 percent simple

Amounts reported beginning in 2017 use preretirement mortality rates based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to the above-described tables.

Changes in Assumptions – OPERS OPEB Pension (Continued)

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Investment Return Assumptions	
Beginning in 2019	6.00 Percent
2018	6.50 Percent
Municipal Bond Rate	
2022	1.84 Percent
2021	2.00 Percent
2020	2.75 Percent
2019	3.71 Percent
2018	3.31 Percent
Single Discount Rate	
2021	6.00 Percent
2020	3.16 Percent
2019	3.96 Percent
2018	3.85 Percent
Health Care Cost Trend Rate	
2022	5.50 Percent Initial 3.50 Percent Ultimate in 2034
2021	8.00 Percent Initial 3.50 Percent Ultimate in 2035
2020	10.00 Percent Initial 3.50 Percent Ultimate in 2030
2019	10.00 Percent Initial 3.25 Percent Ultimate in 2029
2018	7.50 Percent Initial 3.25 Percent Ultimate in 2028

Changes in Benefit Terms - OPERS OPEB

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

This discussion and analysis, along with the accompanying financial reports of the Rural Lorain County Water Authority (RLCWA), are designed to provide our customers, bondholders, creditors, and other interested parties with a general overview of the Authority and its financial activities.

During 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net pension/OPEB asset.

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

GASB 68 and GASB 75 require the net pension liability/(asset) and the net OPEB liability/(asset) to equal the Authority's proportionate share of each plan's collective:

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of RLCWA exceeded liabilities and deferred inflows by $64.7 million and $57.0 million in 2021 and 2020, respectively.

The Authority's Net Position increased by $7.7 million (13.5%) and $5.17 million (10.0%) in 2021 and 2020, respectively.

The Authority's Operating Revenue increased by $820 thousand (4.6%) and $1.53 million (9.4%) with Operating Expenses decreasing $1.96 million (20.3%) and increasing $148 thousand (1.6%) in 2021 and 2020, respectively.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Authority is a single fund using proprietary fund accounting, similar to private sector business. The Authority is described in Note 1, Summary of Significant Accounting Policies, on page eighty-four (84). The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statements of Net Position** includes all the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Authority, and obligations owed by the Authority (liabilities) on December 31. The Authority's net position is the difference between assets and liabilities.

The **Statements of Revenue, Expenses, and Changes in Net Position** provide information on the Authority's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenue is reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the Authority's cash receipts and cash disbursements from operations, investing and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to the Basic Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

NET POSITION

Table 1 summarizes the Net Position of the Authority. Capital Assets are reported less accumulated depreciation. Net Investment in Capital Assets are capital assets less outstanding debt used to acquire those assets.

TABLE 1

				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	Dollar Change	Percent Change	Dollar Change	Percent Change
Current and other assets	$ 43,886,884	$ 38,399,916	$ 34,060,923	$ 5,486,968	14.3%	$ 4,338,993	12.7%
Capital assets	40,095,695	41,033,649	41,043,496	(937,954)	-2.3%	(9,847)	0.0%
Total assets	83,982,579	79,433,565	75,104,419	4,549,014	5.7%	4,329,146	5.8%
Deferred outflows of resources - Pension & OPEB	$ 543,683	$ 852,907	$ 1,549,556	$ (309,224)	-36.3%	$ (696,649)	-45.0%
Long-term liabilities	$ 14,319,486	$ 18,499,296	$ 21,224,666	$ (4,179,810)	-22.6%	$ (2,725,370)	-12.8%
Current liabilities	3,524,330	3,809,722	3,521,454	(285,392)	-7.5%	288,268	8.2%
Total liabilities	17,843,816	22,309,018	24,746,120	(4,465,202)	-20.0%	(2,437,102)	-9.8%
Deferred inflows of resources - Pension & OPEB	$ 1,951,291	$ 965,037	$ 66,380	$ 986,254	102.2%	$ 898,657	1,353.8%
Net investments in capital assets	$ 27,120,479	$ 26,803,968	$ 25,595,810	$ 316,511	1.2%	$ 1,208,158	4.7%
Restricted	6,442,361	6,437,990	6,248,039	4,371	0.1%	189,951	3.0%
Unrestricted	31,168,315	23,770,459	19,997,626	7,397,856	31.1%	3,772,833	18.9%
Total net position	$ 64,731,155	$ 57,012,417	$ 51,841,475	$ 7,718,738	13.5%	$ 5,170,942	10.0%

The Authority's Net Position increased $7.7 million (13.5%) and $5.17 million (10.0%) in 2021 and 2020, respectively. These increases are a result of excess revenue over expense.

The Authority decreased long-term liabilities by $4.18 million and $2.73 million in 2021 and 2020, respectively. These decreases are primarily from the decrease in the net pension and OPEB liability and the decrease in bonds and notes payable.

NET POSITION (Continued)

Deferred outflows and inflows of resources – pension was recorded based on RLCWA's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71, and GASB 75 based on a measurement date of December 31, 2021.

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION)

Table 2 summarizes the changes in Revenue and Expenses and the resulting change in Net Position.

TABLE 2

				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating revenue	$ 18,662,179	$ 17,842,457	$ 16,313,931	$ 819,722	4.6%	$ 1,528,526	9.4%
Operating expenses	7,682,880	9,639,205	9,490,789	(1,956,325)	-20.3%	148,416	1.6%
Maintenance expenses	540,738	474,220	683,376	66,518	14.0%	(209,156)	-30.6%
Depreciation expenses	2,447,935	2,473,167	2,467,751	(25,232)	-1.0%	5,416	0.2%
Total expenses	10,671,553	12,586,592	12,641,916	(1,915,039)	-15.2%	(55,324)	-0.4%
Operating income	7,990,626	5,255,865	3,672,015	2,734,761	52.0%	1,583,850	43.1%
Nonoperating revenue	365,266	588,329	925,663	(223,063)	-37.9%	(337,334)	-36.4%
Nonoperating expenses	(637,154)	(673,252)	(715,233)	36,098	-5.4%	41,981	-5.9%
Nonoperating gain (loss)	(271,888)	(84,923)	210,430	(186,965)	220.2%	(295,353)	-140.4%
Change in net position	7,718,738	5,170,942	3,882,445	2,547,796	49.3%	1,288,497	33.2%
Beginning net position	57,012,417	51,841,475	47,959,000	5,170,942	10.0%	3,882,475	8.1%
Ending net position	$ 64,731,155	$ 57,012,417	$ 51,841,445	$ 7,718,738	13.5%	$ 5,170,972	10.0%

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION) – (Continued)

Total operating revenue increased $820 thousand (4.6%) and $1.53 million (9.4%) in 2021 and 2020, respectively.

A restatement of 2017 net position in the amount of $1,989,268 was recorded based on RLCWA's proportionate share of OPERS' Schedule of Collective pension and OPEB Amounts per the requirements of GASB 68 and 75 based on a measurement date of December 31, 2017.

CAPITAL ASSETS

The Authority had $94.45 million and $93.05 million invested in capital assets (before depreciation) at December 31, 2021 and 2020, respectively, as shown in Table 3. This amount is an increase of $1.40 million (1.5%) and $2.01 million (2.2%) from the previous year.

TABLE 3

				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	Dollar Change	Percent Change	Dollar Change	Percent Change
Land and easements	$ 704,232	$ 704,232	$ 696,325	$ -	0.0%	$ 7,907	1.1%
Buildings	2,626,645	2,579,585	2,389,840	47,060	1.8%	189,745	7.9%
Tanks, stations, and lines	76,382,462	75,285,638	73,300,719	1,096,824	1.5%	1,984,919	2.7%
Meters and replacements	10,137,702	10,137,702	10,137,702	-	0.0%	-	0.0%
Furniture and fixtures	1,624,722	1,558,058	1,695,034	66,664	4.3%	(136,976)	-8.1%
Machinery, equipment, and vehicles	2,841,346	2,731,260	2,753,480	110,086	4.0%	(22,220)	-0.8%
Construction in progress	128,274	49,773	66,795	78,501	157.7%	(17,022)	-25.5%
Total before depreciation	94,445,383	93,046,248	91,039,895	1,399,135	1.5%	2,006,353	2.2%
Accumulated depreciation	(54,349,688)	(52,012,599)	(44,996,399)	(2,337,089)		(7,016,200)	
Total capital assets, net	$ 40,095,695	$ 41,033,649	$ 46,043,496	$ (937,954)		$ (5,009,847)	

CAPITAL ASSETS (Continued)

The increase in capital assets (before accumulated depreciation) from 2021 to 2020 was primarily for line extensions, relocation of lines, Nova transmission main, new parking lot, three trucks, an excavator, website redesign, and workforce program.

The increase in capital assets (before accumulated depreciation) from 2021 to 2020 was primarily for line extensions, relocation of lines, loop enclosures, pump station pressure relieving valve replacement, new parking lot, and three trucks.

DEBT

Table 4 summarizes the Authority's long-term debt. The Authority issues long-term revenue bonds to finance much of its construction.

TABLE 4

				2021 vs 2020		2020 vs 2019	
	2021	2020	2019	Dollar Change	Percent Change	Dollar Change	Percent Change
Long-term debt:							
2015 Revenue bonds	$ 5,251,983	$ 5,939,916	$ 6,612,848	$ (687,933)	-11.6%	$ (672,932)	-10.2%
OWDA loans	5,794,433	6,317,765	6,822,238	(523,332)	-8.3%	(504,473)	-7.4%
USDA loans	1,928,800	1,972,000	2,012,600	(43,200)	-2.2%	(40,600)	-2.0%
Total long-term debt	12,975,216	14,229,681	15,447,686	(1,254,465)	-8.8%	(1,218,005)	-7.9%
Less: Current maturities	(968,860)	(942,465)	(915,522)	(26,395)	2.8%	(26,943)	2.9%
Net total long-term debt	$ 12,006,356	$ 13,287,216	$ 14,532,164	$ (1,280,860)	-9.6%	$ (1,244,948)	-8.6%
Net pension liability	$ 2,313,130	$ 3,045,298	$ 4,502,309	$ (732,168)	-24.0%	$ (1,457,011)	-32.4%
Net OPEB liability	$ -	$ 2,166,782	$ 2,190,193	$ (2,166,782)	-100.0%	$ (23,411)	-1.1%

See Note 4 of the financial statements for details of issuance and retirement of debt in 2021.

The Bond Reserve Fund and Bond Fund were established for payment of bond service charges and cancellation or redemption of bonds. The Bond Reserve Fund had a balance of $2,255,602 and $2,255,598 and the Bond Fund had a balance of $4,186,759 and $4,182,392 at December 31, 2021 and 2020, respectively. See Note 2 of the financial statements for more details on the Bond Reserve Fund and the Bond Fund.

DEBT (Continued)

Net pension liability in the amounts of $2,313,130 and $3,045,298 were recorded based on the Authority's proportionate share of OPERS' Schedule of Collective Pension Amounts per the requirements of GASB 68 and 71 based on a measurement date of December 31, 2021 and 2020, respectively, with the change between 2021 and 2020 due to changes in deferred inflows and deferred outflows of resources, and recording the GASB 68 pension expense. Net OPEB liability in the amounts of $0- and $2,166,782 were recorded based on the Authority's proportionate share of OPERS' Schedule of Collective OPEB Amounts per the requirements of GASB 75 and recording the GASB 75 OPEB expense based on a measurement date of December 31, 2021 and 2020, respectively, with the change between 2021 and 2020 due to changes in deferred inflows and deferred outflows of resources, and recording the GASB 75 pension expense.

DEBT COVERAGE

Table 5 reflects the ability of the Authority to pay both interest and the current principal installments on its outstanding debt.

TABLE 5

	2021	2020	2019
Operating revenue	$ 18,662,179	$ 17,842,457	$ 16,313,931
Nonoperating revenue - Interest	44,550	134,977	458,825
Total revenue	18,706,729	17,977,434	16,772,756
Less: Operations and maintenance expenses	(10,086,794)	(10,113,425)	(10,174,165)
Total revenue available for debt	$ 8,619,935	$ 7,864,009	$ 6,598,591
Revenue bond debt service - 2003, 2006, and 2015	$ 849,550	$ 855,750	$ 853,250
Revenue bond debt service - Rural development	135,005	135,340	134,651
OWDA Loans	376,036	376,036	376,035
Total debt service requirements	$ 1,360,591	$ 1,367,126	$ 1,363,936
Combined coverage ratio - All debt	6.34	5.75	4.84

The Authority is required to meet a revenue-to-debt ratio of 1.20 for its 2003, 2009, and 2015 revenue bonds and a 1.00 ratio for rural development bonds.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the General Manager of the Rural Lorain County Water Authority, 42401 Route 303, P.O. Box 567, LaGrange, Ohio 44050.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2021 and 2020

ASSETS	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents:		
General	$ 1,986,554	$ 1,602,268
Working capital	4,467,140	4,850,232
Capital improvements	21,532,860	16,149,768
Custodial funds	7,663	0
Receivables: (Note 1)		
Trade (net allowance for doubtful accounts of $70,922 in 2021 and $72,113 in 2020)	904,570	1,086,811
Other	167,516	209,176
Custodial funds	8,260	0
Inventory (Note 1)	716,732	567,756
Prepaid expenses (Note 1)	81,215	86,481
Total current assets	29,872,510	24,552,492
NONCURRENT ASSETS:		
AMHP, Cinnamon Lake, Medina County ETL receivable (Note 13)	1,166,534	1,273,796
Tap installments receivable (Note 13)	159,410	159,185
Restricted and Board designated cash and investments, at fair value (Note 2)	9,210,680	9,076,121
Investment in joint venture, At cost (Note 10)	3,157,429	3,312,690
Total noncurrent assets	13,694,053	13,821,792
CAPITAL ASSETS, AT COST: (Note 1)		
Capital assets not being depreciated:		
Land	325,446	325,446
Easements	378,786	378,786
Current construction	128,274	49,773
Total capital assets not being depreciated	832,506	754,005
Capital assets (net of accumulated depreciation of $54,349,688 in 2021 and $52,012,599 in 2020)	39,263,189	40,279,644
Total capital assets	40,095,695	41,033,649
OTHER ASSETS:		
Net pension asset (Note 6)	36,141	25,632
Net OPEB asset (Note 7)	284,180	0
TOTAL ASSETS	83,982,579	79,433,565
DEFERRED OUTFLOW OF RESOURCES:		
Pension (Note 6)	381,714	503,029
OPEB (Note 7)	161,969	349,878
Total deferred outflow of resources	543,683	852,907
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 84,526,262	$ 80,286,472

See notes to the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2021 and 2020

LIABILITIES

	2021	2020
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 968,860	$ 942,465
Accounts payable	1,418,720	1,675,483
Tank painting (Note 11)	429,000	429,000
Taxes payable	0	480
Compensated absences payable (Note 1)	438,833	496,795
Tenant deposits	80,250	88,850
Subdivision rebates	32,000	32,000
Accrued expenses:		
Wages	34,581	26,639
Interest	111,207	118,010
Undistributed monies - Custodial funds	10,879	0
Total current liabilities	3,524,330	3,809,722
LONG-TERM DEBT: (Note 4)		
Bonds and notes payable:		
2015 Series	5,251,983	5,939,916
OWDA	5,794,433	6,317,765
USDA	1,928,800	1,972,000
Total long-term debt	12,975,216	14,229,681
Less: Current portion	968,860	942,465
Long-term debt, Net of current portion	12,006,356	13,287,216
Net pension liability (Notes 4 and 6)	2,313,130	3,045,298
Net OPEB liability (Notes 4 and 7)	0	2,166,782
TOTAL LIABILITIES	17,843,816	22,309,018
DEFERRED INFLOW OF RESOURCES:		
Pension (Note 6)	1,051,745	656,543
OPEB (Note 7)	899,546	308,494
Total deferred inflow of resources	1,951,291	965,037
NET POSITION:		
Net investment in capital assets	27,120,479	26,803,968
Restricted for bonds payable	6,442,361	6,437,990
Unrestricted	31,168,315	23,770,459
TOTAL NET POSITION	64,731,155	57,012,417
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 84,526,262	$ 80,286,472

See notes to the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUE:		
Water sales	$ 16,467,976	$ 16,440,296
Tap fees	2,090,760	1,367,869
Subdivision fees	103,443	34,292
Total operating revenue	18,662,179	17,842,457
OPERATING EXPENSES	10,671,553	12,586,592
INCOME FROM OPERATIONS	7,990,626	5,255,865
NONOPERATING REVENUE:		
Penalty income	129,254	127,678
Miscellaneous	131,478	262,943
1926(b) Revenue	7,003	9,686
Water line reimbursements	14,283	1,397
Discounts earned	42	208
Investment income	44,550	134,977
Billing service fees	15,923	0
Gain (loss) on disposal of assets	22,733	51,440
Total nonoperating revenue	365,266	588,329
Income from operating and nonoperating revenue	8,355,892	5,844,194
NONOPERATING EXPENSES:		
Interest expense	481,893	517,439
Change in value of investment in joint venture	155,261	155,261
Bad debts	0	552
Total nonoperating expenses	637,154	673,252
CHANGE IN NET POSITION	7,718,738	5,170,942
BEGINNING NET POSITION	57,012,417	51,841,475
ENDING NET POSITION	$ 64,731,155	$ 57,012,417

See notes to the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 18,984,857	$ 17,635,627
Cash payments to suppliers for goods and services	(9,161,481)	(6,574,800)
Cash payments to employees and professional contractors for services and benefits	(3,259,475)	(3,172,886)
Net cash provided by operating activities	6,563,901	7,887,941
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment and current construction	(1,487,248)	(2,411,880)
Repayment of 2015 Series Bonds	(687,933)	(625,000)
Repayment of notes payable	(566,532)	(545,073)
Interest paid on debt	(488,696)	(569,900)
Net cash used in capital and related financing activities	(3,230,409)	(4,151,853)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	44,550	134,977
Net cash provided by investing activities	44,550	134,977
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Other nonoperating activities	2,139,342	453,352
Net cash provided by non-capital activities	2,139,342	453,352
INCREASE IN CASH AND CASH EQUIVALENTS	5,517,384	4,324,417
CASH AND CASH EQUIVALENTS - Beginning of period	31,678,389	27,353,972
CASH AND CASH EQUIVALENTS - End of period	$ 37,195,773	$ 31,678,389

See notes to the financial statements

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	2021	2020
PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$ 6,127,450	$ 5,255,865
Adjustment to reconcile operating income		
to net cash provided by operating activities:		
Depreciation expense	2,447,935	2,473,167
(Gain) loss on disposal of assets	(22,733)	(51,440)
(Increase) decrease in OPERS expense per GASB 68 and 71	(191,175)	345
(Increase) decrease in OPERS expense per GASB 75	(1,672,001)	100,910
Bad debts	441	(552)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	322,678	(206,830)
Inventory	(148,976)	(20,132)
Prepaid expenses	5,266	70,755
Increase (decrease) in:		
Accounts payable	(245,884)	332,430
Taxes payable	(480)	(38,523)
Compensated absences payable	(57,962)	13,862
Deposits	(8,600)	(55,390)
Accrued expenses	7,942	13,474
Net cash provided by operating activities	$ 6,563,901	$ 7,887,941

See notes to the financial statements

Note 1. Summary of Significant Accounting Policies:

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was created by the court on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority was organized as a nonprofit corporation for the purpose of providing a water supply for domestic, industrial, and public use to users within and outside the district. The Authority is exempt from federal income tax. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district. The following is a summary of significant accounting policies:

A. Introduction:

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Basis of Accounting:

The Rural Lorain County Water Authority prepares its financial statements on an accrual basis. By virtue of its by-laws, the Authority is required to make appropriations in accordance with budgetary policies.

C. Investments:

Investment procedures are restricted by the Provisions of the Ohio Revised Code. Short-term investments consist of certificates of deposit, U.S. Government Income Funds, or U.S. Treasury Funds. Long-term investments consist of U.S. Treasury Bonds and Notes. Investments are reported at fair value which is based on quoted market prices.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Note 1. Summary of Significant Accounting Policies (Continued):

D. Budgetary Process:

Budget – Thirty days before the end of each fiscal year a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the General Manager. The Board may amend said budget as it deems proper. The Board of Trustees then approves the budget in its original or amended form.

Appropriations – After the budget is approved by the Board, the Board then makes appropriations of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed $50,000, provided there are sufficient funds appropriated and remaining in the account of the fund from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriation of funds and may also transfer any part of an unencumbered balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient. During the year, supplemental appropriations were authorized; however, none of these amendments are significant.

E. Inventory:

Inventory, which consists of raw materials, is stated at the lower of cost or market. In general, cost as applied to inventory valuation represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory.

F. Capital Assets:

The minimum capitalization threshold is any individual item with a total cost of greater than $750 and a useful life of more than one year. Capital assets including major renewals or betterments are capitalized and stated at historical cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. Expenditures for major renewals, betterments, adaptations, or restorations that extend the useful lives of property and equipment are capitalized.

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

Water Lines and Water Tanks	40 Years
Pump Stations	20 Years
Buildings and Building Improvements	4-20 Years
Machinery, Equipment, and Office Furniture	3-10 Years

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

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

The Authority, by action of its Board, has adopted the policy of capitalizing meter replacement costs over a ten-year period with one-half year of depreciation being taken in the year of replacement. In 1992 and prior years, the Authority expensed all replacement meters at the time of installation.

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

Depreciation expense for the years ended December 31, 2021 and 2020 was $1,240,856 and $1,220,584, respectively.

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

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Land	$ 325,446	$ -	$ -	$ 325,446
Easements	378,786	-	-	378,786
Buildings	2,579,585	47,060	-	2,626,645
Tanks, stations, and lines	75,285,638	1,096,824	-	76,382,462
Meters and replacements	10,137,702	-	-	10,137,702
Furniture and fixtures	1,558,058	81,359	(14,695)	1,624,722
Machinery, equipment, and vehicles	2,731,260	206,237	(96,151)	2,841,346
Current construction	49,773	78,501	-	128,274
	93,046,248	1,509,981	(110,846)	94,445,383
Less accumulated depreciation				
Buildings	(2,266,145)	(44,204)	-	(2,310,349)
Tanks, stations, and lines	(41,641,476)	(1,690,126)	-	(43,331,602)
Meters and replacements	(4,406,685)	(507,012)	-	(4,913,697)
Furniture and fixtures	(1,484,720)	(29,101)	14,695	(1,499,126)
Machinery, equipment, and vehicle	(2,213,573)	(177,492)	96,151	(2,294,914)
Total accumulated depreciation	(52,012,599)	(2,447,935)	110,846	(54,349,688)
Net capital assets	$ 41,033,649	$ (937,954)	$ -	$ 40,095,695

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

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

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
Land	$ 317,539	$ 7,907	$ -	$ 325,446
Easements	378,786	-	-	378,786
Buildings	2,389,840	291,811	(102,066)	2,579,585
Tanks, stations, and lines	73,300,719	1,984,919	-	75,285,638
Meters and replacements	10,137,702	-	-	10,137,702
Furniture and fixtures	1,695,034	30,284	(167,260)	1,558,058
Machinery, equipment, and vehicles	2,753,480	165,421	(187,641)	2,731,260
Current construction	66,795	(17,022)	-	49,773
	91,039,895	2,463,320	(456,967)	93,046,248
Less accumulated depreciation				
Buildings	(2,307,440)	(60,771)	102,066	(2,266,145)
Tanks, stations, and lines	(39,957,543)	(1,683,933)	-	(41,641,476)
Meters and replacements	(3,897,457)	(509,228)	-	(4,406,685)
Furniture and fixtures	(1,619,305)	(32,675)	167,260	(1,484,720)
Machinery, equipment, and vehicle	(2,214,654)	(186,560)	187,641	(2,213,573)
Total accumulated depreciation	(49,996,399)	(2,473,167)	456,967	(52,012,599)
Net capital assets	$ 41,043,496	$ (9,847)	$ -	$ 41,033,649

G. Prepaid Expenses:

Prepaid expenses are expensed over their economic useful lives.

H. Debt Issue Costs:

Per the guidelines of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," debt issue costs that were previously recorded as a deferred charge over the life of the bonds' payback period will be expensed as incurred for financial statement periods beginning after December 31, 2012. Debt issue costs for the years ended December 31, 2021 and 2020 were $-0- and $-0-, respectively.

Note 1. Summary of Significant Accounting Policies (Continued):

I. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

J. Compensated Absences Payable:

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

Sick leave accumulates to employees at a rate of 4.6 hours for every 80 hours of service. Upon retirement, employees are entitled to 100% of their accumulated sick leave balance at the rate of pay at the time of retirement if an employee was hired before December 31, 2000. If an employee was hired on or after January 1, 2001, and retires, their accumulated sick leave is paid out at the rate of pay that it was accrued. In the event of the employee's death, 100% of their accumulated sick leave balance would be paid to the employee's life insurance beneficiary. The employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses, years of service at retirement, or death. A liability for unused sick leave is not recorded in the financial statements unless the employee has accumulated sick leave after becoming eligible for retirement, which would be payable in its entirety. The unrecorded estimated unused sick leave for the years ended December 31, 2021 and 2020 was $385,256 and $360,260, respectively; the recorded estimated unused sick leave and vacation for the years ended December 31, 2021 and 2020 reflected in the compensated absences payable amount on page 12 was $357,353 and $434,826, respectively.

K. Statements of Cash Flows:

For the purposes of the Statements of Cash Flows, all liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents. Cash and cash equivalents as of December 31, 2021 and 2020, consist of:

	2021	2020
Cash:		
General	$ 2,536,661	$ 1,774,860
Working capital	381,743	1,833,353
Capital improvements	26,618,257	21,166,647
Restricted cash and investments	9,570,952	9,427,143
	$39,107,613	$34,202,003

Note 1. Summary of Significant Accounting Policies (Continued):

L. Use of Estimates:

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

M. Receivables:

The Authority considers receivables to be collectible with an allowance for doubtful accounts that is based on the Authority's collection receivable policy.

N. Net Position:

The Authority has restricted net position to be used to fund future debt service requirements. None of the Authority's restricted net position of $6,442,361 and $6,437,990, for 2021 and 2020, respectively, was restricted by enabling legislation.

O. Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of net position will 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 that time. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension are explained in Note 6. The deferred outflows of resources related to OPEB are explained in Note 7.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (income) until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension are explained in Note 6. The deferred inflows of resources related to OPEB are explained in Note 7.

Note 1. Summary of Significant Accounting Policies (Continued):

P. Pensions:

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

Q. Operating and Nonoperating Revenue and Expenses:

Operating revenue and expenses generally result from providing a water supply for the Authority's users. The principal operating revenue of the Authority consists of charges to customers for sales of water and taps. Operating expenses include the cost of water and tap sales, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Description of Funds:

A. Revenue Fund:

This fund receives all revenues from operations, and it is maintained in the custody of the Authority, separate and distinct from all other funds of the Authority. With the exception of investment income on funds other than the Revenue Fund, all revenue shall be deposited in the Revenue Fund. Expenditures from this fund are limited to all reasonable and proper expenses of operating, repairing, and maintaining the system, excluding depreciation and capital replacements. Also, required payments are made into the remaining funds from this fund.

B. Bond Reserve Fund:

This fund is maintained in the custody of the Trustee as a trust fund and shall be used solely for the payment of bond service charges on the bonds, and to the extent provided herein, by purchase for cancellation or redemption of bonds. Payment shall be made by the Authority on or before the 20th of each month to fund this account until the balance exceeds one year's bond requirements. This fund was fully funded at the time bonds were issued.

Note 2. Description of Funds (Continued):

C. Bond Fund:

This fund is maintained in the custody of the Trustee as a trust fund and is used solely for the payment of bond service charges provided herein, by purchase for cancellation or redemption of bonds. The Authority is required by bond agreement to make monthly payments to the fund for interest and redemption payments on or before the 20th of each month.

D. Replacement and Improvement Fund:

This fund is maintained in the custody of the Trustee as a trust fund separate and distinct from all other funds of the Authority. The monies held in the Replacement and Improvement Fund are transferred to the Bond Fund, to the extent necessary from time-to-time, after applying to that purpose any monies then in the System Reserve Fund, to permit the payment of all obligations payable from the Bond Fund without drawing on the Bond Reserve Fund and, otherwise, shall be used solely to replace obsolete or worn-out equipment or to make improvements to the system, or, with funds in the Bond Fund and Bond Reserve Fund and other funds made available by the Authority, to retire by purchase or by call, all or part of the Bonds from time-to-time outstanding. The Authority may borrow from this fund for any improvements unless it is in default of its bond obligations.

E. Project/Administration Fund:

This fund is maintained in the custody of the Trustee as a separate account and monies in the fund will be used for expansion and capital additions to the water system.

The fund had a balance of $0- and $0- as of December 31, 2021 and 2020, respectively.

F. System Reserve Fund (Capital Improvements):

This fund is maintained in the custody of the Authority as a trust fund separate and distinct from all other funds of the Authority. The monies held in the System Reserve Fund shall be transferred to the Bond Fund, to the extent necessary from time-to-time, to permit the payment of all obligations payable from the Bond Fund without drawing upon the Replacement and Improvement Fund or Bond Reserve Fund, or may be transferred to the appropriate fund of the Authority to permit the payment of principal and interest on any general obligation bonds, or notes issued in anticipation thereof, issued by the Authority to pay costs of improvements to the system, and otherwise may be used for any other lawful system purpose, including without limitation, the retirement of outstanding bonds by call for redemption or by purchase for cancellation.

Note 2. Description of Funds (Continued):

G. Employee Policy Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $10,000 are made each month. Monies in this fund will be used for employees entitled to 100% of their accumulated sick leave balance after becoming eligible for retirement.

H. OWDA Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $53,000 are made each month, plus Cinnamon Lake assessments that are collected by the Ashland County Auditor and deposited on a semi-annual basis. Monies in this fund will be used to pay the semi-annual Ohio Water Development Authority loan payments.

I. Restricted and Board Designated Cash and Investments:

	2021	2020
Bond reserve fund	$2,256,214	$2,255,666
Bond fund	4,472,780	4,459,255
OWDA fund	450,357	817,897
Replacement and improvement fund	750,969	750,822
Employee policy fund	1,640,632	1,143,505
	$9,210,680	$9,076,121

Note 3. Equity in Pooled Cash and Investment:

The Rural Lorain County Water Authority maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash.

A. Legal Requirements:

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

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

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

A. Legal Requirements (Continued):

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

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

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

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

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

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this note are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this footnote, or cash, or both securities and cash, equal value for equal value;

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

A. Legal Requirements (Continued):

9. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio; and

10. Banker's acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's average portfolio.

Protection of the Authority'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 Authority by the financial institution, or through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or a debt of the Authority 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 Authority or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party.

Based on the criteria described in GASB Statement No. 40, *"Deposits and Investment Risk Disclosures,"* as of December 31, 2021 and 2020, $500,000 and $500,000 of the Authority's bank balances of $30,194,268 and $24,659,807, respectively, were covered by federal depository insurance. The remaining balances were covered by specific securities held by the pledging financial institution's trust department in the Authority's name. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

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

B. Deposits (Continued):

The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Authority 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Ohio Treasurer of State. The OPCS is a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method.

C. Investments:

As of December 31, 2021, the Authority had the following investments:

		% of	Maturities (in Years)	
Investment Type	Fair Value	Total	Less than 1	1-5
First American Treasury Obligation	$ 750,803	10.4%	$ 750,803	-0-
Federated Treasury Obligation Fund	6,442,362	89.6%	6,442,361	-0-
	$7,193,165			

As of December 31, 2020, the Authority had the following investments:

		% of	Maturities (in Years)	
Investment Type	Fair Value	Total	Less than 1	1-5
First American Treasury Obligation	$ 750,833	10.4%	$ 755,590	-0-
Federated Treasury Obligation Fund	6,437,998	89.6%	6,437,998	-0-
	$7,188,831			

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

C. Investments (Continued):

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the Authority's policy to hold instruments to maturity, limiting any investment to a maximum of five years. The targeted weighted average days to maturity for the overall Authority portfolio is not more than two years. In addition, Ohio law prescribes that all Authority investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2021, the Authority's investment in U.S. instrumentalities were all rated AAA by Standard and Poor's and AAA by Moody's Investors Service. As of December 31, 2020, the Authority's investment in U.S. instrumentalities were all rated AAA by Standard and Poor's and AAA by Moody's Investors Service.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Authority to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. The Authority's securities associated with the principal and interest payment of bond proceeds in the amount of $6,442,361 and $6,437,990, for 2021 and 2020, respectively, are held in the account of U.S. Bank. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer but does not identify specific limits on the amounts that may be so invested. More than five percent of the Authority's investments are in United States Treasury Bills, Federated Treasury Obligation Fund, and U.S. Treasury Funds.

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

D. Fair Value Hierarchy:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs-other than quoted prices included within level 1-that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2021:

	Level 1	Level 2	Total
Money markets and certificates of deposit	$2,017,515	$ -0-	$2,017,515
Treasury obligations	-0-	7,193,165	7,193,165
Total investments at fair value	$2,017,515	$7,193,165	$9,210,680

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2020:

	Level 1	Level 2	Total
Money markets and certificates of deposit	$1,887,290	$ -0-	$1,887,290
Treasury obligations	-0-	7,188,831	7,188,831
Total investments at fair value	$1,887,290	$7,188,831	$9,076,121

Note 4. Long-Term Debt:

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

Description	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Due Within One Year
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,114,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	$ 1,173,000	$ -0-	$ 29,000	$ 1,144,000	$ 30,000
A Water Resource Improvement Revenue Bond, Series 2009 is due in the amount of $784,800. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	799,000	-0-	14,200	784,800	14,900
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $4,590,000 plus a premium of $638,017. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	5,939,916	-0-	687,933	5,251,983	655,000
A total of $5,525,474 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	6,317,765	-0-	523,332	5,794,433	268,960
	$ 14,229,681	$ -0-	$ 1,254,465	$ 12,975,216	$ 968,860

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2021 is as follows (Continued):

Description	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Due Within One Year
A net pension liability in the amount of $2,264,504 was recorded based on the Authority's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2021.	$ 3,045,298	$ -0-	$ 732,168	$ 2,313,130	$ -0-

Description	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Due Within One Year
A net OPEB liability (asset) in the amount of $(284,180) was recorded based on the Authority's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2021.	$ 2,166,782	$ -0-	$2,450 962	$ (284,180)	$ -0-

Note 4. Long-Term Debt (Continued):

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

Description	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Due Within One Year
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,144,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	$ 1,173,000	$ -0-	$ 29,000	$ 1,144,000	$ 29,000
A Water Resource Improvement Revenue Bond, Series 2009 is due in the amount of $799,000. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	812,600	-0-	13,600	799,000	14,200
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $5,230,000 plus a premium of $685,949. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	6,588,882	-0-	672,932	5,939,916	640,000
A total of $6,058,500 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	6,822,238	-0-	763,738	6,317,765	259,265
	$ 15,396,720	$ -0-	$ 1,479,271	$ 14,229,681	$ 942,465

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2020 is as follows (Continued):

Description	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Due Within One Year
A net pension liability in the amount of $3,045,298 was recorded based on the Authority's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2020.	$ 4,502,309	$ - 0-	$ 1,457,011	$ 3,045,298	$ -0-

Description	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Due Within One Year
A net OPEB liability in the amount of $2,166,782 was recorded based on the Authority's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2020.	$ 2,190,193	$ -0-	$ 23,411	$ 2,166,782	$ -0-

Note 4. Long-Term Debt (Continued):

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 968,860	$ 391,731	$ 1,360,591
2023	1,285,364	353,355	1,638,719
2024	1,332,855	405,123	1,737,978
2025	896,926	356,684	1,253,610
2026	931,009	321,960	1,252,969
2027-2031	4,937,689	1,028,834	5,966,523
2032-2036	981,930	353,045	1,334,975
2037-2041	492,700	182,269	674,969
2042-2046	350,500	67,137	417,637
2047-2050	135,400	12,018	147,418
Total	$12,313,233	$3,472,156	$15,785,389

The 2003, 2009, and 2015 Series bonds, OWDA loans, and USDA bonds are payable from the revenues of the Authority after the payment of operating and maintenance costs. The bonds are secured by a pledge of the monies and securities on deposit in the Reserve Fund, the Replacement and Improvement Fund, and the System Reserve Fund. The bond indentures require, among other provisions, that the Authority maintain the system in good operating condition and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid. The table above does not include the premium of $661,983 on the 2015 Series bonds. In addition, the indenture requires the establishment of certain funds as discussed in Note 2.

The 2003B and 2006 Series revenue bonds were refunded with the issuance of the 2015 Series revenue bonds. Interest cost savings on the issuance of the 2015 Series and refunding of the 2003B and 2006 Series revenue bonds was 2.27% in interest cost for a total savings in dollars of $1,193,245. The interest savings averages approximately $75,000 per year with total savings in today's dollars of approximately $1,000,000.

Note 5. Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

The Authority is exposed to various tasks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

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

Note 6. Retirement Commitments:

Net Pension Liability:

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

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

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

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report [Annual Comprehensive Financial Report (ACFR)] 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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

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

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

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

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability(Asset) (Continued):

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

	2020 and 2021 State and Local
Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $341,516 and $337,731 for year 2021 and 2020, respectively. Of these amounts, $-0- 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 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 Authority's proportion of the net pension liability was based on the Authority'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
Proportionate Share of the Net Pension Liability	$2,313,130
Proportionate Share of the Net Pension Assets	$36,141
Proportion of the Net Pension Liability	0.015621%
Pension Expense	$476,853

Note 6. Retirement Commitments (Continued):

Net Pension Liability(Asset) (Continued):

The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority'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
Proportionate Share of the Net Pension Liability	$3,045,298
Proportionate Share of the Net Pension Asset	$25,632
Proportion of the Net Pension Liability	0.015407%
Pension Expense	492,458

At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021 OPERS	2020 OPERS
Deferred Outflows of Resources		
Differences between expected and actual experience	$ -0-	$ -0-
Changes in assumptions	2,257	165,298
Net differences between projected and actual earnings on pension plan investments	-0-	-0-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	37,941	-0-
Authority contributions subsequent to the measurement date	341,516	337,731
Total deferred outflows of resources	$ 381,714	$ 503,029

	2021 OPERS	2022 OPERS
Deferred Inflows of Resources		
Differences between expected and actual experience	$ 103,578	$ 44,521
Changes in assumptions	-0-	-0-
Net differences between projected and actual earnings on pension plan investments	906,966	610,794
Changes in proportion and differences between Authority contributions and proportionate share of contributions	41,201	1,228
Total deferred inflows of resources	$ 1,051,745	$ 656,543

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

The $341,516 and $337,731 reported as deferred outflows of resources for 2021 and 2020, respectively, related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	2021 OPERS	2020 OPERS
Fiscal Year Ending December 31:		
2021	$ 0	$(122,812)
2022	(401,303)	(122,811)
2023	(118,026)	(122,811)
2024	(369,439)	(122,811)
2025	(123,342)	-0-
2026 and thereafter	563	-0-
Total	$(1,011,547)	$(491,245)

The net pension liability at December 31, 2021 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	2021	2020
Proportionate Share of the Net Pension: Liability	$2,313,130	$3,045,298
Proportion of the Net Pension: Liability	0.015621%	0.015407%

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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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

	December 31, 2021	December 31, 2020
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3.00 percent simple	3.00 percent simple
Post-January 7, 2013	0.50 percent simple through 2021, Then 2.15 percent simple	1.40 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.20 percent	7.20 percent
Actuarial Cost Method	individual entry age	individual entry age

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For 2018, mortality rates were based on the RP-2014 Healthy Annuitant Table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above-described table.

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

OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annualized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.02% for 2021.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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

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

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Authority's proportionate share of the net pension:			
Asset	$ (25,140)	$ (36,141)	$ (44,358)
Liability	$4,412,335	$2,313,130	$567,729

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans:

Net OPEB Liability

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Net OPEB Liability (Continued)

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

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

In order to qualify for postemployment health care coverage, age-and-service retirees under Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2021 and 2021,respectively. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0% during calendar years 2021 and 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for Member-Directed Plan participants for 2021 was 4.0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $-0- for 2021. Of this amount, $-0- is reported as an intergovernmental payable.

The total employer contribution rates stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Rural Lorain County Water Authority used to fund health care were $-0- and $-0- for 2021 and 2020, respectively.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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 Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

Following is information related to the proportionate share and OPEB expense:

Proportion of the Net OPEB Liability(Asset):	
Current Measurement Date	0.015951%
Prior Measurement Date	0.015687%
Change in Proportionate Share	0.000264%
Proportionate Share of the Net OPEB Liability (Asset)	$(284,180)
OPEB Expense	$(1,672,001)

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

	2021 OPERS	2020 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual experience	$ -0-	$ 58
Changes in assumptions	139,706	342,979
Net difference between projected and actual earnings on OPEB plan investments	-0-	-0-
Changes in proportion and differences between Authority Contributions and proportionate share of contributions	22,263	6,841
Authority contributions subsequent to the measurement date	-0-	-0-
Total deferred outflows of resources	$161,969	$349,878
Deferred Inflows of Resources:		
Differences between expected and actual experience	$256,471	$198,162
Changes in assumptions	460,456	-0-
Net difference between projected and actual earnings on OPEB plan investments	151,358	110,332
Changes in proportion and differences between Authority Contributions and proportionate share of contributions	31,261	-0-
Total deferred outflows of resources	$899,546	$308,494

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

$-0- reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Amount
2022	$(398,031)
2023	(255,937)
2024	(65,774)
2025	(17,835)
	$(737,577)

Actuarial Assumptions - OPERS

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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

	December 31, 2021	December 31, 2020
Wage Inflation	3.25 percent	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	6.00 percent	3.16 percent
Prior Measurement date	3.16 percent	3.96 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	2.00 percent	2.75 percent
Health Care Cost Trend Rate	8.50 percent, initial 3.50 percent, ultimate in 2035	10.50 percent, initial 3.25 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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, any contributions made into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.96 percent for 2021.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00	5.64
Real Estate	7.00	6.48
Private Equity	0.00	0.00
International Equities	25.00	7.36
Other Investments	9.00	4.02
Total	100.00%	4.43%

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2035.

As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2035, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's proportionate share of the net OPEB liability/(asset)	$(70,696)	$(284,180)	$(459,647)

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability/(asset)	$(291,076)	$(284,180)	$(276,383)

Note 8. Leasing Arrangements:

The Authority leases one copier under a 36-month operating lease, one copier under a 48-month operating lease, and two copiers under a 60-month operating lease. The operating leases expire in February 2021, March 2024, and two in August 2025, respectively. These leases require rent in the amount of $289, $572, $129, and $240 per month plus charges for additional copies over predetermined amounts.

Note 8. Leasing Arrangements (Continued):

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2021:

Year Ending December 31,	Amount
2022	$15,096
2023	15,096
2024	9,945
2025	6,753
2026	317
	$47,207

Office equipment lease for the years ended December 31, 2021 and 2020 was $10,529 and $8,744, respectively.

Note 9. Commitments:

A. Water Purchase Agreements:

The Authority's original and primary source of water (approximately 83.33%) has been the City of Avon Lake's water treatment plant located in northern Lorain County. On April 30, 1975, the Authority signed a long-term water purchase agreement with the City of Avon Lake with maximum amounts of water to be supplied per month.

The Authority purchases water from the Village of New London (approximately 10.29%) as a supplement to the water purchased from the City of Avon Lake. In addition to the Avon Lake agreement, the Authority signed a long-term water purchase agreement in 1996 with New London with maximum amounts of water to be supplied per month.

B. Water Supply Agreements:

The Authority has long-term agreements with various villages and municipalities to provide water in emergencies and at monthly bulk rates. The terms of the agreements vary with each municipality as to rate and period of time.

Note 10. Investment in Joint Venture:

The Authority is a member of the Medina-Lorain Water Consortium (the Consortium), which is a joint venture between the City of Avon Lake, the City of Medina, Medina County, and the Rural Lorain County Water Authority. The Consortium was created in 1999 for the purpose of construction, operation and maintenance of a water transmission line to serve members of the Consortium, and for the purpose of bulk water delivery from the City of Avon Lake. There is an ongoing financial responsibility for all parties for the maintenance and repair of the project. The Consortium is governed by representatives of the member parties. The City of Avon Lake serves as the fiscal agent for the Consortium. As of December 31, 2021 and 2020, the Authority's equity interest, at net book value, in the Consortium was $3,079,798 and $3,235,059, respectively. Financial information can be obtained from the City of Avon Lake, Finance Director, 150 Avon Belden Road, Avon Lake, Ohio 44012.

Note 11. Tank Painting:

A payable in the amount of $429,000 is due for the painting of the LaGrange tanks in 2010. The payment is pending certification by the vendor, with payroll records, of the payment of prevailing wages as required by the Bureau of Wage and Hour Administration of the Ohio Department of Commerce. As of December 31, 2021, the certification has not been received, therefore, the payment has not been made.

Note 12. Change in Accounting Principle:

GASB 84, Fiduciary Activities, was to be effective for the Authority for the year ended December 31, 2021. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

Note 13. Amherst Mobile Home Park and Cinnamon Lake Tap Fees Receivable, Medina County ETLl Receivable, and Tap Installments Receivable:

A receivable in the amount of $231,577 and $244,712 is due at December 31, 2021 and 2020, respectively, for a new water system for the residents of the Amherst Mobile Home Park. The fees are being collected by the Lorain County Auditor biannually over 20 years through July 2034, including interest at 3.00%.

A receivable in the amount of $1,040,470 and $1,131,593 is due at December 31, 2021 and 2020, respectively, for tap fees from the residents of Cinnamon Lake. The fees are being collected by the Ashland County Auditor biannually over 20 years through July 2030, including interest at 2.87%.

A receivable in the amount of $0 and $19,043 is due at December 31, 2021 and 2020, respectively, for Medina County's portion of relocation costs for the ETL (Eastern Transmission Line) 1. Medina County is being billed biannually through July 2021, including interest at 2.202%.

A receivable in the amount of $167,783 and $164,323 is due at December 31, 2021 and 2020, respectively. for new taps purchased by customers under an installment purchase plan. A down payment can be made for any amount equal to or over and above the minimum required down payment of $800. Payments are being made over 36 months including a monthly fee of $10.

Note 14. Subsequent Events:

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

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan

Last Seven Years (*)

	2021	2020	2019	2018	2017	2016	2015
Authority's Proportion of the Net Pension Liability	0.015621%	0.015407%	0.016439%	0.016923%	0.016762%	0.016152%	0.015823%
Authority's Proportionate Share of the Net Pension Liability	$ 2,313,130	$ 3,045,298	$ 4,502,309	$ 2,654,891	$ 3,793,682	$ 2,863,553	$ 2,141,991
Authority's Covered-Employee Payroll	$ 2,412,364	$ 2,370,007	$ 2,436,700	$ 2,364,846	$ 2,189,742	$ 2,010,317	$ 1,941,758
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	95.89%	128.49%	184.77%	112.26%	173.25%	142.44%	110.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.09%	86.54%

*Information prior to 2015 is not readily available.

See notes to the Required Supplementary Information.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Seven Years (*)

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 341,516	$ 337,731	$ 331,801	$ 341,138	$ 307,430	$ 262,769	$ 241,238
Contributions in Relation to the Contractually Required Contribution	(341,516)	(337,731)	(331,801)	(341,138)	(307,430)	(262,769)	(241,238)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,276,773	$ 2,412,364	$ 2,370,007	$ 2,436,700	$ 2,364,846	$ 2,189,742	$ 2,010,317
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

*Information prior to 2015 is not readily available.

See accompanying notes to the Required Supplementary Information.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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

Last Four Years (*)

	2021	2020	2019	2018
Authority's Proportion of the Net OPEB Liability	0.015951%	0.015687%	0.016799%	0.01670%
Authority's Proportionate Share of the Net OPEB Liability	$ (284,180)	$ 2,166,782	$ 2,190,193	$ 1,813,497
Authority's Covered-Employee Payroll	$ 2,276,773	$ 2,412,364	$ 2,370,007	$ 2,436,700
Authority's Proportionate Share of the Net OPEB Liaiblity as a Percentage of its Covered-Employee Payroll	-12.48%	89.82%	92.41%	74.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%

* Information prior to 2018 is not available.

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

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Authority OPEB Contributions
Ohio Public Employees Retirement System

Last Five Years (*)

	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0	$ 23,648
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	(23,648)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,276,773	$ 2,412,364	$ 2,370,007	$ 2,436,700	$ 2,364,800
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	1.00%

* Information prior to 2017 is not available.

See accompanying notes to the Required Supplementary Information.

Changes in Assumptions – OPERS Pension

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

	2019	2018 and 2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA			
Pre-January 7, 2013	3.00 percent simple	3.00 percent simple	3.00 percent simple
Post-January 7, 2013	See below	See below	See below
Investment Rate of Return	7.20 percent	7.50 percent	8.00 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows:

2021	.50 percent simple through 2021, then 2.15 percent simple
2020	1.40 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3.00 percent simple through 2019, then 2.15 percent simple
2016 and prior	3.00 percent simple through 2018, then 2.80 percent simple

Amounts reported beginning in 2017 use preretirement mortality rates based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to the above-described tables.

Changes in Assumptions – OPERS OPEB Pension (Continued)

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Investment Return Assumptions	
Beginning in 2019	6.00 Percent
2018	6.50 Percent
Municipal Bond Rate	
2021	2.00 Percent
2020	2.75 Percent
2019	3.71 Percent
2018	3.31 Percent
Single Discount Rate	
2021	6.00 Percent
2020	3.16 Percent
2019	3.96 Percent
2018	3.85 Percent
Health Care Cost Trend Rate	
2021	8.00 Percent Initial 3.50 Percent Ultimate in 2035
2020	10.00 Percent Initial 3.50 Percent Ultimate in 2030
2019	10.00 Percent Initial 3.25 Percent Ultimate in 2029
2018	7.50 Percent Initial 3.25 Percent Ultimate in 2028

Changes in Benefit Terms - OPERS OPEB

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

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF OPERATING EXPENSES

Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING EXPENSES:		
Wages:		
Board	$ 57,597	$ 46,345
Employees	1,904,684	1,927,696
Vacation and sick leave	260,134	271,607
OPERS Expense	476,853	462,946
OPERS - Pension (Note 6)	(191,175)	29,512
OPERS - OPEB (Note 7)	(1,672,001)	100,910
Payroll taxes	28,317	26,743
Insurance:		
Hospitalization	500,571	551,217
Life	5,751	5,187
General	88,630	82,934
Audit and professional fees	92,691	73,338
Legal fees	22,027	30,020
Engineering fees	6,712	28,531
Telephone	35,421	39,093
Depreciation	2,447,935	2,473,167
Utilities	31,276	29,884
Billing expense	66,857	59,311
Office equipment lease	18,957	21,232
Office supplies and expense	155,049	143,254
Clothing	20,531	19,440
Postage	113,093	106,750
Maintenance and repairs:		
Administrative building and equipment	178,113	149,367
Vehicles	95,833	79,039
Water lines	166,522	139,476
Pump stations	49,153	56,040
Tanks	51,117	50,298
Travel, mileage, and education expense	53,939	12,281
Gasoline	46,953	33,123
Water purchased	4,566,251	4,616,015
Distribution supplies	64,950	85,310
Electric pump station and tanks	408,271	370,420
Tap installations	339,646	324,269
Communication equipment	886	640
Miscellaneous expense	180,009	141,197
	$ 10,671,553	$ 12,586,592

Certain amounts in the prior year reviewed financial statements may have been reclassified to conform with the current year presentation.

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OHIO AUDITOR OF STATE
KEITH FABER

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

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

Rural Lorain County Water Authority
Lorain County
42401 State Route 303
LaGrange, Ohio 44050

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 Rural Lorain County Water Authority, Lorain County, (the Authority) as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

November 16, 2023

OHIO AUDITOR OF STATE
KEITH FABER

RURAL LORAIN COUNTY WATER AUTHORITY

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 12/12/2023

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