



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023



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Columbus, Ohio 43215
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800-282-0370

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

We have reviewed the *Independent Auditor's Report* of the Northwest Regional Water District, Scioto County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2023 through December 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

September 16, 2025

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Northwest Regional Water District
Scioto County
Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditor's Report.....	1
2024:	
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position.....	11
Statements of Cash Flows	12
Notes to the Basic Financial Statements	14
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability – Ohio Public Employees Retirement System	41
Schedule of the District's Pension Contributions – Ohio Public Employees Retirement System	42
Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset) – Ohio Public Employees Retirement System	43
Schedule of the District's OPEB Contributions – Ohio Public Employees Retirement System	44
Notes to the Required Supplementary Information.....	45
2023:	
Management's Discussion and Analysis	47
Basic Financial Statements:	
Statements of Net Position	53
Statements of Revenues, Expenses and Changes in Net Position.....	54
Statements of Cash Flows	55
Notes to the Basic Financial Statements	57

<u>Title</u>	<u>Page</u>
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability – Ohio Public Employees Retirement System	83
Schedule of the District's Pension Contributions – Ohio Public Employees Retirement System	84
Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset) – Ohio Public Employees Retirement System	85
Schedule of the District's OPEB Contributions – Ohio Public Employees Retirement System	86
Notes to the Required Supplementary Information.....	87
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	89



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Northwest Regional Water District
Scioto County
P.O. Box 158
McDermott, Ohio 45652

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Northwest Regional Water District, Scioto County, Ohio (District), as of and for the years ended December 31, 2024, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Northwest Regional Water District, Scioto County, Ohio as of December 31, 2024, 2023 and 2022 and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted to the right.

BHM CPA Group, Inc.
Portsmouth, Ohio
June 13, 2025

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by December 31, 2024 by \$9.62 million and on December 31, 2023 by \$9.17 million. The District's net position increased by \$446,239 (4.86%) in 2024 and increased by \$266,976 (3%) in 2023.

The District's Operating Revenues increased in 2024 by \$507 thousand (16.78%) and in 2023 they increased by \$13 thousand (.43%). Operating and Maintenance Expenses (excluding depreciation expense) increased \$237 thousand (9%) in 2024 and in 2023 (excluding depreciation expense) increased \$210 thousand (9%). Depreciation expense increased \$61,047 (less than 20%) in 2024 and decreased in 2023 by \$81,582 (less than 21%).

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

STATEMENTS OF NET POSITION

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

Table 1					
Restated					
	2024	2023	Change	2022	Change
Current and Other Assets	\$ 3,159,419	\$ 3,159,700	\$ (281)	\$ 3,233,946	\$ (74,246)
Capital Assets, Net	8,003,302	7,652,027	351,275	7,553,076	98,951
Total Assets	11,162,721	10,811,727	350,994	10,787,022	24,705
Deferred Outflows of Resources - Pension	338,758	531,265	(192,507)	117,373	413,892
Deferred Outflows of Resources - OPEB	31,895	77,917	(46,022)	-	77,917
Deferred Outflows of Resources - Total	370,653	609,182	(238,529)	117,373	491,809
Long Term Liabilities:					
Other Long-Term Liabilities	478,351	580,618	(102,267)	628,524	(47,906)
Net Pension Liability	1,094,341	1,322,803	(228,462)	395,955	926,848
Net OPEB Liability	-	26,299	(26,299)	-	26,299
Other Current Liabilities	283,259	283,724	(465)	279,361	4,363
Total Liabilities	1,855,951	2,213,444	(357,493)	1,303,840	909,604
Deferred Inflows of Resources - Pension	37,315	22,721	14,594	548,041	(525,320)
Deferred Inflows of Resources - OPEB	20,139	11,014	9,125	145,760	(134,746)
Deferred Inflows of Resources - Total	57,454	33,735	23,719	693,801	(660,066)
Net Position					
Invested in Capital Assets,					
Net of Related Debt	7,480,493	7,023,503	456,990	6,965,420	58,083
Unrestricted	2,139,476	2,150,227	(10,751)	1,941,334	208,893
Total Net Position	\$ 9,619,969	\$ 9,173,730	\$ 446,239	\$ 8,906,754	\$ 266,976

The net pension liability (NPL) is a significant liability reported by the District at December 31, 2024 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The postemployment benefits (OPEB) liability (asset) is a liability (asset) reported by the District at December 31, 2024 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, then this asset is separately identified in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

The District's Net Position as reported on page 5 increased by \$446,239 (4.86%) in 2024 and increased by \$266,976 (3%) in 2023. The increase in 2024 was primarily due to the changes in net pension and OPEB Liabilities which were partially offset by increases in deferred inflows or resources due to Pensions and OPEB and decreases to deferred outflows of resources related to pension and OPEB. The increase in 2023 was primarily due to the changes in deferred inflows and outflows of resources related to pension and OPEB actuarial calculations which were partially offset by an increase in net pension liabilities due to changes in actuarial calculations.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

Unrestricted net position decreased by \$11 thousand in 2024 and increased by \$209 thousand in 2023. Unrestricted net position may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents decreased by \$67.6 thousand in 2024 which is primarily due to outlays for capital outlay and changes in market value in 2024. Cash and Cash equivalents increased by \$79 thousand in 2023 which is primarily due to changes in market value in 2023.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	Table 2				
	2024	2023	Change	2022	Change
Operating Revenues	\$ 3,528,781	\$ 3,021,706	\$ 507,075	\$ 3,008,735	\$ 12,971
Total Operating Revenues	3,528,781	3,021,706	507,075	3,008,735	12,971
Non-Operating Revenues	118,569	164,372	(45,803)	36,677	127,695
Total Revenues	3,647,350	3,186,078	461,272	3,045,412	140,666
Operating Expenses					
(Excluding Depreciation)	2,817,889	2,580,324	237,565	2,369,915	210,409
Depreciation Expense	380,019	318,972	61,047	400,554	(81,582)
Total Operating Expenses	3,197,908	2,899,296	298,612	2,770,469	128,827
Non-Operating Expenses	46,229	19,806	26,423	268,121	(248,315)
Total Expenses	3,244,137	2,919,102	325,035	3,038,590	(119,488)
Changes in Net Position Prior to					
Capital Contributions	403,213	266,976	136,237	6,822	260,154
Capital Contributions	43,026	-	43,026	-	-
Changes in Net Position	446,239	266,976	179,263	6,822	260,154
Net Position Beginning of Year	9,173,730	8,906,754	266,976	8,899,932	6,822
Net Position End of Year	\$ 9,619,969	\$ 9,173,730	\$ 446,239	\$ 8,906,754	\$ 266,976

Operating revenues increased \$507,075 in 2024 due to increased charges for services and increased \$12,971 in 2023 due to increased charges for services.

Operating expenses increased by about \$298 thousand in 2024 primarily due to salaries, wages and benefits, OPEB expenses, depreciation expense, Maintenance and Purchase Water increases which were partially offset by decreases in Pension expenses. Operating expenses increased by about \$129 thousand in 2023 primarily due to Pension increases resulting from actuarial calculations which were partially offset by decreases in maintenance, depreciation, and purchased water expenses. Non-Operating revenues decreased by \$2,777 in 2024 due primarily to the change in market value of investments.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

CAPITAL ASSETS

The District had \$18.8 million invested in total Capital Assets (before depreciation) at the end of 2024 and \$18.2 million at the end of 2023, an increase of \$562 thousand (3%) in 2024 and an increase of \$418 thousand (2%) in 2023. These increases are due to continued updates to the Water District's infrastructure.

Table 3

	2024	2023	Change	2022	Change
Non-Depreciable Capital Assets					
Land	\$ 120,754	\$ 120,754	-	\$120,754	\$0
Constructions in progress	158,978	933	158,045	243,389	(242,456)
Total Non-Depreciable Capital Assets	279,732	121,687	158,045	364,143	(242,456)
Depreciable Capital Assets					
Utility plant – lines	13,321,624	13,208,312	113,312	12,899,288	309,024
Utility plant - towers	1,649,945	1,649,945	-	1,649,945	-
Utility plant - meters	1,345,684	1,047,600	298,084	759,455	288,145
Utility plant - office and garage	302,499	300,820	1,679	300,280	540
Office equipment and furniture	164,941	153,392	11,549	153,392	-
Radio telemetry system	432,552	454,512	(21,960)	451,539	2,973
Trucks and equipment	1,290,888	1,289,385	1,503	1,229,688	59,697
Totals Before Accumulated Depreciation	18,508,133	18,103,966	404,167	17,443,587	660,379
Accumulated Depreciation	(10,784,563)	(10,573,626)	(210,937)	(10,254,654)	(318,972)
Net Depreciable Capital Assets	7,723,570	7,530,340	193,230	7,188,933	341,407
Total Capital Assets	\$ 8,003,302	\$ 7,652,027	\$ 351,275	\$ 7,553,076	\$ 98,951

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023**

DEBT

At December 31, 2024 total debt outstanding of \$522,809 compared to \$628,524 at December 31, 2023.

Table 4

	2024	2023	Change	2022	Change
Ohio Public Works					
Commission (OPWC)	\$ 29,634	\$ 36,121	\$ (6,487)	\$ 43,530	\$ (7,409)
Ohio Water Development					
Authority (OWDA)	493,175	592,403	(99,228)	676,773	(84,370)
Total Long Term Debt	522,809	628,524	(105,715)	720,303	(91,779)
Less: Current Maturities	109,348	105,713	3,635	91,779	13,934
Net Total Long Term Debt	<u>\$ 413,461</u>	<u>\$ 522,811</u>	<u>\$ (109,350)</u>	<u>\$ 628,524</u>	<u>\$ (105,713)</u>

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

CASH

Cash and cash equivalents were \$2,526,020 on December 31, 2024 and \$2,593,581 on December 31, 2023.

CONTACT INFORMATION

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,526,020	\$ 2,593,581
Accounts receivable, net allowance for doubtful accounts	572,356	543,047
Prepaid expenses	25,872	23,072
TOTAL CURRENT ASSETS	3,124,248	3,159,700
NONCURRENT ASSETS		
Capital Assets:		
Non-depreciable capital assets	279,732	121,687
Depreciable capital assets, net	7,723,570	7,530,340
Total Capital Assets	8,003,302	7,652,027
Net OPEB Assets	35,171	-
TOTAL NONCURRENT ASSETS	8,038,473	7,652,027
DEFERRED OUTFLOWS OF RESOURCES		
Pension	338,758	531,265
OPEB	31,895	77,917
TOTAL DEFERRED OUTFLOWS OF RESOURCES	370,653	609,182
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	\$ 11,533,374	\$ 11,420,909
	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Notes payable - current portion	\$ 109,348	\$ 105,713
Accounts Payable	152,135	135,415
Accrued Expenses	21,776	42,596
TOTAL CURRENT LIABILITIES	283,259	283,724
LONG-TERM LIABILITIES		
Net Pension Liability	1,094,341	1,322,803
Net OPEB Liability	-	26,299
Compensated Absences	64,890	57,807
Notes payable - less current portion	413,461	522,811
TOTAL LONG-TERM LIABILITIES	1,572,692	1,929,720
TOTAL LIABILITIES	1,855,951	2,213,444
DEFERRED INFLOWS OF RESOURCES		
Pension	37,315	22,721
OPEB	20,139	11,014
TOTAL DEFERRED INFLOWS OF RESOURCES	57,454	33,735
NET POSITION		
Net Investment in Capital Assets	7,480,493	7,023,503
Unrestricted	2,139,476	2,150,227
TOTAL NET POSITION	9,619,969	9,173,730
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES and NET POSITION	\$ 11,533,374	\$ 11,420,909

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water	\$ 3,218,024	\$ 2,809,335
Tap fees	42,700	38,250
Service charges	46,273	62,398
Late charges	87,055	80,898
Other	134,729	30,825
TOTAL OPERATING REVENUES	<u>3,528,781</u>	<u>3,021,706</u>
OPERATING EXPENSE		
Salaries, wages and benefits	1,223,554	1,139,989
Utilities	185,965	186,756
Depreciation expense	380,019	318,972
Purchased water	903,776	808,953
Telemetry	12,632	8,854
Maintenance	288,008	168,745
Truck and equipment expense	55,276	61,607
Billing expense	30,539	36,370
Pension expense	21,361	83,949
OPEB expense	6,323	(53,717)
Payroll taxes	10,751	9,889
Insurance	33,573	29,853
Office supplies and postage	25,396	57,943
Legal and accounting fees	4,025	16,898
Travel and auto expense	1,445	1,337
Other expenses	15,265	22,898
TOTAL OPERATING EXPENSES	<u>3,197,908</u>	<u>2,899,296</u>
Operating Income	<u>\$ 330,873</u>	<u>\$ 122,410</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	114,177	88,809
Increase (Decrease) in Fair Value of Investments	(30,573)	69,900
Intergovernmental	4,392	5,663
Interest expense	(15,656)	(19,806)
Net other income (expense)	<u>72,340</u>	<u>144,566</u>
Increase (decrease) in net position before capital contributions	403,213	266,976
Capital contributions - intergovernmental	<u>43,026</u>	<u>-</u>
CHANGES IN NET POSITION	446,239	266,976
NET POSITION, BEGINNING OF YEAR	<u>9,173,730</u>	<u>8,906,754</u>
NET POSITION, END OF YEAR	<u><u>\$ 9,619,969</u></u>	<u><u>\$ 9,173,730</u></u>

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,364,743	\$ 3,012,952
Cash received from other income	134,729	30,825
Cash payments to suppliers for goods and services	(1,541,980)	(1,362,300)
Cash payments for employee services and benefits	(1,303,410)	(1,237,048)
Net cash provided by operating activities	<u>654,082</u>	<u>444,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments - OPWC loans	(6,487)	(7,409)
Principal payments - OWDA loans	(99,228)	(84,370)
Interest payments - OWDA loans	(11,264)	(14,143)
Grants Received	43,026	-
Acquisition of Capital Assets	(731,294)	(417,923)
Net cash used for capital and related financing activities	<u>(805,247)</u>	<u>(523,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	114,177	88,809
Increase (decrease) in fair value of investments	(30,573)	69,900
	<u>83,604</u>	<u>158,709</u>
Net increase (decrease) in cash and cash equivalents	(67,561)	79,293
Cash and cash equivalents, beginning of year	<u>2,593,581</u>	<u>2,514,288</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,526,020</u></u>	<u><u>\$ 2,593,581</u></u>

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$330,873	\$122,410
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	380,019	318,972
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(29,309)	22,071
(Increase)/Decrease in prepaids	(2,800)	(1,179)
(Increase)/Decrease in Deferred Outflows of Resources-Pension	192,507	(413,892)
(Increase)/Decrease in Deferred Outflows of Resources-OPEB	46,022	(77,917)
(Increase)/Decrease in Net OPEB Asset	(35,171)	132,647
Increase/(Decrease) in accounts payable	16,720	39,093
Increase/(Decrease) in accrued expenses	(20,820)	9,143
Increase/(Decrease) in Compensated Absences	7,083	-
Increase/(Decrease) in Net Pension Liability	(228,462)	926,848
Increase/(Decrease) in Net OPEB Liability	(26,299)	26,299
Increase/(Decrease) in Deferred Inflows of Resources-Pension	14,594	(525,320)
Increase/(Decrease) in Deferred Inflows of Resources-OPEB	9,125	(134,746)
Total adjustments	<u>323,209</u>	<u>322,019</u>
 Net cash provided by operating activities	 <u><u>\$654,082</u></u>	 <u><u>\$444,429</u></u>
 NONCASH TRANSACTIONS		
Intergovernmental revenue - interest subsidy	\$ 4,392	\$ 5,663
Interest expense - interest subsidy	\$ (4,392)	\$ (5,663)

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE A – NATURE OF ORGANIZATION

Northwest Regional Water District (hereafter referred to as NRWD or the District) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq. of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all parts of the following political subdivisions:

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

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

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

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Fund Accounting

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

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

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

3. Basis of Accounting

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

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

4. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2024 and 2023, and passed annual appropriations and resolutions.

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

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

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

5. Cash and Cash Equivalents

Cash balances of the District's enterprise fund are presented as "Cash and Cash Equivalents" on the statement of net position. Interest income earned by the District totaled \$114,177 and \$88,809 respectively, for the years ended December 31, 2024 and 2023.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2024 and 2023, investments were limited to STAR Ohio, Fifth-Third Bank investment account, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2024 and 2023. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2024 and 2023.

The District also has invested funds with broker Fifth Third Bank. The invested funds consist of a money fund, corporate bonds, and certificate of deposits.

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

6. Capital Assets

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

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

7. Compensated Absences

The District's employees are entitled to certain compensated absences based on their length of employment. All leave is accrued when incurred in the financial statements in accordance with GASB Statement No. 101. See Note L for more information regarding Statement No. 101.

At December 31, 2024 and 2023 the total liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$64,890 and \$57,807, respectively. These balances are recorded as long-term liabilities in the accompanying financial statements.

8. Interest Expense

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

9. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2024 and 2023, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Accounts Receivable

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

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

11. Estimates

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

12. Balance Sheet Classifications

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

- (1) Current: Due within one year from December 31, 2024
- (2) Noncurrent: Due after December 31, 2025
- (3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
- (4) Unrestricted: Not restricted for usage

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

13. Long Term Obligations

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

14. Deferred Outflows and Deferred Inflows of Resources

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Net Position

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

16. Operating Revenues and Expenses

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

17. Pensions/Other Post Employment Benefits(OPEB)

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

18. Capital Contributions

Capital contributions consist of external resources received by the District to fund capital asset acquisition or construction. These contributions are recognized as non-operating revenues in the statement of revenues, expenses, and changes in net position, in accordance with GASB Statement No. 34. Typical sources of capital contributions include:

- **Grants:** Funds received from federal or state agencies designated for capital improvements.

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**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

	Ending Balance at 12/31/2023	Additions	Deletions	Ending Balance at 12/31/2024
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Construction in Progress	933	158,978	(933)	158,978
Total Capital Assets, Not Being Depreciated	121,687	158,978	(933)	279,732
Capital Assets, Being Depreciated				
Utility plant - lines	13,208,312	113,312	-	13,321,624
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	1,047,600	298,084	-	1,345,684
Utility plant - office and garage	300,820	1,679	-	302,499
Office equipment and furniture	153,392	11,549	-	164,941
Radio telemetry system	454,512	-	(21,960)	432,552
Trucks and equipment	1,289,385	148,625	(147,122)	1,290,888
Total Capital Assets, Being Depreciated	18,103,966	573,249	(169,082)	18,508,133
Less Accumulated Depreciation:				
Utility plant - lines	(7,302,468)	(225,950)	-	(7,528,418)
Utility plant - towers	(792,013)	(26,187)	-	(818,200)
Utility plant - meters	(355,227)	(34,090)	-	(389,317)
Utility plant - office and garage	(266,914)	(7,255)	-	(274,169)
Office equipment and furniture	(137,040)	(6,417)	-	(143,457)
Radio telemetry system	(385,492)	(10,980)	21,960	(374,512)
Trucks and equipment	(1,334,472)	(69,140)	147,122	(1,256,490)
Total Accumulated Depreciation	(10,573,626)	(380,019)	169,082	(10,784,563)
Total Capital Assets Being Depreciated, Net	7,530,340	193,230	-	7,723,570
Total Capital Assets	\$ 7,652,027	\$ 352,208	\$ (933)	\$ 8,003,302

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**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE C – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2023 was as follows:

	Ending Balance at 12/31/2022	Additions	Deletions	Ending Balance at 12/31/2023
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Construction in Progress	243,389	1,601	(244,057)	933
Total Capital Assets, Not Being Depreciated	364,143	1,601	(244,057)	121,687
Capital Assets, Being Depreciated				
Utility plant - lines	12,899,288	309,024	-	13,208,312
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	759,455	288,145	-	1,047,600
Utility plant - office and garage	300,280	540	-	300,820
Office equipment and furniture	153,392	-	-	153,392
Radio telemetry system	451,539	2,973	-	454,512
Trucks and equipment	1,229,688	59,697	-	1,289,385
Total Capital Assets, Being Depreciated	17,443,587	660,379	-	18,103,966
Less Accumulated Depreciation:				
Utility plant - lines	(7,115,118)	(187,350)	-	(7,302,468)
Utility plant - towers	(764,224)	(27,789)	-	(792,013)
Utility plant - meters	(320,815)	(34,412)	-	(355,227)
Utility plant - office and garage	(253,982)	(12,932)	-	(266,914)
Office equipment and furniture	(132,932)	(4,108)	-	(137,040)
Radio telemetry system	(374,252)	(11,240)	-	(385,492)
Trucks and equipment	(1,293,331)	(41,141)	-	(1,334,472)
Total Accumulated Depreciation	(10,254,654)	(318,972)	-	(10,573,626)
Total Capital Assets Being Depreciated, Net	7,188,933	341,407	-	7,530,340
Total Capital Assets	\$ 7,553,076	\$ 343,008	\$ (244,057)	\$ 7,652,027

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NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE D – LONG-TERM DEBT

The District has the following notes payable at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
0% note payable OPWC, payable in semi-annual installments of \$2,171, due in 2032, secured by property and equipment	\$ 28,224	\$ 32,567
6.39% note payable OWDA, payable in semi-annual installments of \$19,309 due in 2026, secured by property and equipment, #3301	36,844	71,441
2.86% note payable OWDA, payable in semi-annual installments of \$5,683 due in 2028, secured by property and equipment, #4801	32,455	42,674
4.14% note payable OWDA, payable in semi-annual installments of \$27,096 due in 2029, secured by property and equipment, #5041	220,425	264,129
0% note payable OPWC, payable in semi-annual installments of \$705 due in 2025, secured by property and equipment	1,409	2,818
0% note payable OPWC, payable in semi-annual installments of \$368 due in 2025, secured by property and equipment	-	735
0.00% note payable OWDA due in 2044, secured by property and equipment, #9806	203,452	214,160
	<u>522,809</u>	<u>628,524</u>
Less current maturities	(109,348)	(105,713)
Total long-term debt	<u>\$ 413,461</u>	<u>\$ 522,811</u>

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE D – LONG-TERM DEBT (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2024 are as follows:

	Principal	Interest	Total
2025	109,348	11,288	120,636
2026	73,302	7,305	80,607
2027	75,598	5,009	80,607
2028	66,538	2,703	69,241
2029	48,109	549	48,658
2030-2034	53,540	-	53,540
2035-2039	53,540	-	53,540
2040-2044	42,834	-	\$42,834
Total	<u>522,809</u>	<u>\$26,854</u>	<u>\$549,663</u>

	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Amount Due Within One Year
OWDA (Direct Borrowing)	\$ 592,404	\$ -	\$ 99,228	\$ 493,176	\$ 103,597
OPWC (Direct Borrowing)	36,120	-	6,487	29,633	5,751
Net Pension Liabilities	1,322,803	-	228,462	1,094,341	-
Net OPEB Liabilities	26,299	-	26,299	-	-
	<u>\$ 1,977,626</u>	<u>\$ -</u>	<u>\$ 360,476</u>	<u>\$ 1,617,150</u>	<u>\$ 109,348</u>

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amount Due Within One Year
OWDA (Direct Borrowing)	\$ 676,773	\$ -	\$ 84,369	\$ 592,404	\$ 99,227
OPWC (Direct Borrowing)	43,530	-	7,410	36,120	6,486
Net Pension Liabilities	395,955	926,848	-	1,322,803	-
Net OPEB Liabilities	-	26,299	-	26,299	-
	<u>\$ 1,116,258</u>	<u>\$ 953,147</u>	<u>\$ 91,779</u>	<u>\$ 1,977,626</u>	<u>\$ 105,713</u>

(1) The District had a net OPEB asset of \$35,171 as of December 31, 2024, so no liability is reported as of December 31, 2024.

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The District will receive an estimated \$24,041 of additional interest subsidies through 2029. In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$493,175 at December 31, 2024. For the year ended December 31, 2024 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: \$710,892 and \$110,492, and 6.43, respectively The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the District shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE E – DEPOSITS AND INVESTMENTS

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand At year end, the District has \$50 in undeposited cash on hand which is included on the statement of net position of the District as part of “cash and cash equivalents”.

Deposits Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

As of December 31, 2024, the District’s bank balance of \$1,140,651 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2023, the District’s bank balance of \$1,709,169 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments are reported at fair value. As of December 31, 2024 and 2023, the District had the following investments:

	<u>Fair Value 2024</u>	<u>Maturity</u>
Negotiable Certificates of Deposit	\$ 242,600	\$242,600 3-5 years
Fixed Income Securities	1,084,255	\$1,084,255 3-5 years
Money Market	6,754	\$6,754 < 1 year
STAR Ohio	107,632	\$107,632 < 1 year
Total	<u>\$ 1,441,241</u>	
	<u>Fair Value 2023</u>	<u>Maturity</u>
Negotiable Certificates of Deposit	\$ 430,407	\$430,407 3-5 years
Fixed Income Securities	550,844	\$550,844 3-5 years
Money Market	62,540	\$62,540 < 1 year
STAR Ohio	102,079	\$102,079 < 1 year
Total	<u>\$ 1,145,870</u>	

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

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

Fifth Third Bank invests in corporate bonds and various funds such as mutual funds, money funds and certificate of deposits. Corporate bonds, mutual funds and money funds are not insured or guaranteed by the federal government. The negotiable certificates of deposit are insured up to \$250,000 per account owner per institution.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023**

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District's allocation as of December 31, 2024 and 2023:

<u>Year</u>	<u>Investment Type</u>	<u>Percentage of Investments</u>
2024	Negotiable CDs	17%
2024	Fixed Income – Corporate Bonds	75%
2024	Money Market	1%
2024	STAR Ohio	7%
2023	Negotiable CDs	38%
2023	Fixed Income – Corporate Bonds	48%
2023	Money Market	5%
2023	STAR Ohio	9%

NOTE F – CONTINGENT LIABILITIES

There were no contingent liabilities as of December 31, 2024 or December 31, 2023.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2024, the District contracted with Kinder's Insurance Agency for real property, building contents, and vehicle insurance coverage.

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

NOTE H - ACCOUNTS RECEIVABLE

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

2024 – Accounts receivable, net allowance for doubtful accounts - \$572,356

2023 – Accounts receivable, net allowance for doubtful accounts - \$543,047

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that 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.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

Plan Description – Ohio Public Employees Retirement System (OPERS) - 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' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2024, the Combined Plan was consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option is no longer be available for member selection.

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

	<u>Local</u>
2024 and 2023 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2024 and 2023 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>
* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.	
** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.	

The District's contractually required contribution to OPERS was \$99,987 for fiscal year 2024 and \$96,313 for 2023 respectively. Of this amount \$9,232 and \$8,238 were reported as a payroll related liability for 2024 and 2023, respectively.

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

The net pension liability reported as of December 31, 2024 and December 31, 2023 were measured as of December 31, 2023 and December 31, 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

	2024	2023
	OPERS	OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.0041800%	0.0044780%
Proportionate Share of the Net Pension Liability - Prior Year	0.0044780%	0.0045510%
Change in Proportionate Share	-0.0002980%	-0.0000730%
Proportion of the Net Pension Liability	\$1,094,341	\$1,322,803
Pension Expense (Gain)	\$78,626	\$83,949

At December 31, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	2023
	OPERS	OPERS
Deferred Outflows of Resources		
Differences between projected and actual economic experience	\$ 17,887	\$ 43,938
Changes in assumptions	-	13,974
Differences between projected and actual investment earnings	220,884	377,040
District contributions subsequent to the measurement date	99,987	96,313
Total	\$ 338,758	\$ 531,265
Deferred Inflows of Resources		
Changes in proportion	37,315	22,721
Total	\$ 37,315	\$ 22,721

\$99,987 and \$96,313 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2024 and 2023 respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2025 and 2024, 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:

	OPERS
Year Ending December 31:	
2025	\$28,447
2026	63,506
2027	140,957
2028	(31,454)
Total	\$201,456

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2023 and 2022, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2023 and 2022, are presented below for the OPERS Traditional Plan.

	<u>2023</u>	<u>2022</u>
	5-year period ended December	5-year period ended December
	31, 2020	31, 2020
Experience Study		
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	2.3 percent, simple through 2024, then 2.05 percent, simple	3 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

The allocation of investment assets with the defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023 and 2022, these best estimates are summarized in the following table:

Asset Class	2023	2022	2023	2022
	Target Allocation	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00 %	22.00 %	2.85 %	2.62 %
Domestic Equities	21.00	22.00	4.27	4.60
Real Estate	13.00	13.00	4.46	3.27
Private Equity	15.00	15.00	7.52	7.53
International Equities	20.00	21.00	5.16	5.51
Risk Parity	2.00	2.00	4.38	4.37
Other Investments	5.00	5.00	3.46	3.27
Total	100.00 %	100.00 %		

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

Discount Rate The discount rate used to measure the total pension liability was 6.9% and 6.9% for the Traditional Pension Plan for the years ended December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following tables presents the District's proportionate share of the net pension liability calculated as of the measurement dates of December 31, 2023 and 2022 using the current period discount rate assumption of 6.9 and 6.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 and 5.9 percent) or one-percentage-point higher (7.9 and 7.9 percent) than the current rate:

For the year ended December 31, 2024:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$1,722,787	\$1,094,341	\$571,657

For the year ended December 31, 2023:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$1,981,515	\$1,322,803	\$774,873

NOTE J - DEFINED BENEFIT OPEB PLANS

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

Net Other Postemployment Benefits (OPEB) Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 (asset) represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB. GASB 75 assumes the liability/asset is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability (asset) on the accrual basis of accounting.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A 30 years of qualifying service credit at any age;

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. District to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan⁴

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2024 and 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2024 and calendar year 2023. For the calendar year 2023 and for the time period January 1, 2024 through June 30, 2024, OPERS did not allocate any employer contributions to health care for members in the Combined Plan. For the time period July 1, 2024 through December 31, 2024 OPERS allocated 2.0 percent of employer contributions to health care for members in the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2024 and 2023 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of the payroll covered. The District's contractually required contribution was \$0 for 2024 and 2023.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022 and 2021 rolled forward to the measurement dates of December 31, 2023 and 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2024 OPERS	2023 OPERS
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.0038970%	0.0041710%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	0.0041710%	0.0042350%
Change in Proportionate Share	0.0002740%	0.0000640%
Proportion of the Net OPEB Liability (Asset)	(\$35,171)	\$26,299
OPEB Expense (Gain)	(\$6,323)	(\$53,717)

At December 31, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024 OPERS	2023 OPERS
Deferred Outflows of Resources		
Changes of assumptions	\$ 9,055	\$ 25,687
Differences between projected and actual investment earnings	21,123	52,230
Change in proportion	1,717	-
Total	\$ 31,895	\$ 77,917
	2024 PERS	2023 PERS
Deferred Inflows of Resources		
Differences between expected and actual economic experience	\$ 5,005	\$ 6,560
Changes of assumptions	15,119	2,114
Change in proportion	15	2,340
Total	\$ 20,139	\$ 11,014

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

	<u>OPERS</u>
Fiscal Year Ending December:	
2025	\$ 197
2026	2,249
2027	16,443
2028	(7,133)
	<u>\$ 11,756</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022 and 2021, rolled forward to the measurement dates of December 31, 2023 and 2022.

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation at 2.75%	2.75 to 10.75 percent including wage inflation at 2.75%
Future Salary Increases, including inflation		
Single Discount Rate:		
Current measurement date	5.70 percent	5.22 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	4.05 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent ultimate in 2036	5.5 percent, initial 3.50 percent ultimate in 2036
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Experience Study	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2020

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – OPERS - Continued

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

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0 percent for 2023.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2023 and 2022, these best estimates are summarized in the following table:

Asset Class	2023 Target Allocation	2022 Target Allocation	2023	2022
			Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	37.00 %	34.00 %	2.82 %	2.56 %
Domestic Equities	25.00	26.00	4.27	4.60
Real Estate Investment Trust	5.00	7.00	4.68	4.70
International Equities	25.00	25.00	5.16	5.51
Risk Parity	3.00	2.00	4.38	4.37
Other Investments	5.00	6.00	2.43	1.84
Total	100.00 %	100.00 %		

Discount Rate A single discount rate of 5.70 percent was used to measure the OPEB liability on the measurement date of December 31, 2023. A single discount rate of 5.70 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. 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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – OPERS - Continued

(2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index") The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the District's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2023, using the single discount rate of 5.70 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.70 percent) or one-percentage-point higher (6.70 percent) than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the net OPEB liability (asset)	\$19,329	(\$35,171)	(\$80,317)

The following table presents the District's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2022, using the single discount rate of 5.22 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
District's proportionate share of the net OPEB liability (asset)	\$89,510	\$26,299	(\$25,860)

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. 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.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate - Continued

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 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 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.

For the fiscal year ended December 31, 2024:

	Current Health Care Cost Trend Rate		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (asset)	(\$36,632)	(\$35,171)	(\$33,514)

For the fiscal year ended December 31, 2023:

	Current Health Care Cost Trend Rate		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (asset)	\$24,651	\$26,299	\$28,154

NOTE K – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the District to submit any changes to their water system to the Ohio EPA for approval. Through this review process, the District would be responsible to address any public safety issues associated with their water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE L – CHANGES IN ACCOUNTING PRINCIPLES

For 2024, the District has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, “Omnibus 2022”, GASB Statement No. 100, “Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62”, Implementation Guide No. 2023-1 and GASB Statement No. 101, “Compensated Absences”.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on balances previously reported by the District.

The purpose of GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

The purpose of GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the District.

The purpose of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of GASB Statement No. 101 did have an effect on balances previously reported by the District.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023		2022		2021		2020		2019		2018		2017		2016	
District's proportion of the net pension liability	0.004180%		0.004478%		0.004551%		0.004974%		0.005040%		0.004759%		0.004520%		0.004397%	
District's proportionate share of the net pension liability	\$	1,094,341	\$	1,322,803	\$	395,955	\$	736,541	\$	996,190	\$	1,303,394	\$	709,100	\$	998,484
District's covered payroll	\$	687,950	\$	694,200	\$	660,464	\$	700,593	\$	709,164	\$	692,246	\$	647,167	\$	663,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	159.07%		190.55%		59.95%		105.13%		140.47%		188.28%		109.57%		150.57%	
Plan fiduciary net position as a percentage of the total pension liability	79.01%		75.74%		92.62%		86.88%		82.17%		74.70%		84.66%		77.25%	

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

See notes to accompanying required supplementary information.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 99,987	\$ 96,313	\$ 97,188	\$ 92,465	\$ 98,083	\$ 99,283	\$ 89,992	\$ 77,660	\$ 79,577
Contributions in relation to the contractually required contribution	<u>(99,987)</u>	<u>(96,313)</u>	<u>(97,188)</u>	<u>(92,465)</u>	<u>(98,083)</u>	<u>(99,283)</u>	<u>(89,992)</u>	<u>(77,660)</u>	<u>(79,577)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 714,193	\$ 687,950	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

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

	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.00389700%	0.00417100%	0.00423500%	0.00463200%	0.00469400%	0.00443200%	0.00422000%	0.00411000%
District's proportionate share of the net OPEB liability (asset)	\$ (35,171)	\$ 26,299	\$ (132,647)	\$ (82,523)	\$ 648,363	\$ 577,828	\$ 458,261	\$ 415,124
District's covered payroll	\$ 687,950	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.11%	3.79%	-20.08%	-11.78%	91.43%	83.47%	70.81%	62.60%
Plan fiduciary net position as a percentage of the total OPEB liability	107.76%	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

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

See notes to accompanying required supplementary information.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,971	\$ 16,758
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	(5,971)	(16,758)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 714,193	\$ 687,950	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.90%	2.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Northwest Regional Water District
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in Assumptions – OPERS Pension– Traditional Plan

There was a change in assumptions for 2024-2022. There were no changes in assumptions for 2021 and 2020. 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 beginning in 2017 and in 2016 are presented below:

	2024	2023	2022
Wage Inflation	2.75 percent	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	See below	See below	See below
Investment Rate of Return	6.9 percent	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
	2021, 2020 and 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 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	See below	See below	See below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

2024	2.3 percent, simple through 2024 then 2.05 percent, simple
2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in Assumptions – OPERS Pension– Traditional Plan (Continued)

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality 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 tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 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.

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:

2024-2019	6 percent
2018	6.5 percent

Municipal Bond Rate:

2024	3.77 percent
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent

Single Discount Rate:

2024	5.70 percent
2023	5.22 percent
2022-2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent

Health Care Cost Trend Rate:

2024	5.5 percent, initial 3.5 percent, ultimate in 2038
2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10 percent, initial 3.5 percent, ultimate in 2030
2019	10 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by December 31, 2023 by \$9.17 million and on December 31, 2022 by \$8.91 million. The District's net position increased by \$266,976 (3%) in 2023 and increased by \$6,822 thousand (.08%) in 2022.

The District's Operating Revenues increased in 2023 by \$13 thousand (.43%) and in 2022 they increased by \$62 thousand (2.09%). Operating and Maintenance Expenses (excluding depreciation expense) increased \$210 thousand (9%) in 2023 and in 2022 (excluding depreciation expense) increased \$427 thousand (22%). Depreciation expense decreased \$81,582 (less than 21%) in 2023 and decreased in 2022 by \$7,706 (less than 2%).

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

STATEMENTS OF NET POSITION

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

	Table 1				
	2023	2022	Change	2021	Change
Current and Other Assets	\$ 3,159,700	\$ 3,233,946	\$ (74,246)	\$ 3,498,809	\$ (264,863)
Capital Assets, Net	7,652,027	7,553,076	98,951	7,344,995	208,081
Total Assets	10,811,727	10,787,022	24,705	10,843,804	(56,782)
Deferred Outflows of Resources - Pension	531,265	117,373	413,892	105,687	11,686
Deferred Outflows of Resources - OPEB	77,917	-	77,917	60,629	(60,629)
Deferred Outflows of Resources - Total	609,182	117,373	491,809	166,316	(48,943)
Long Term Liabilities:					
Other Long-Term Liabilitie	522,811	628,524	(105,713)	506,143	122,381
Net Pension Liability	1,322,803	395,955	926,848	736,541	(340,586)
Net OPEB Liability	26,299	-	26,299	-	-
Other Current Liabilities	341,531	279,361	62,170	244,600	34,761
Total Liabilities	2,213,444	1,303,840	909,604	1,487,284	(183,444)
Deferred Inflows of Resources - Pension	22,721	548,041	(525,320)	365,534	182,507
Deferred Inflows of Resources - OPEB	11,014	145,760	(134,746)	257,370	(111,610)
Deferred Inflows of Resources - Total	33,735	693,801	(660,066)	622,904	70,897
Net Position					
Invested in Capital Assets,					
Net of Related Debt	7,023,503	6,965,420	58,083	6,832,617	132,803
Unrestricted	2,150,227	1,941,334	208,893	2,067,315	(125,981)
Total Net Position	\$ 9,173,730	\$ 8,906,754	\$ 266,976	\$ 8,899,932	\$ 6,822

The net pension liability (NPL) is a significant liability reported by the District at December 31, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The postemployment benefits (OPEB) liability (asset) is a liability (asset) reported by the District at December 31, 2023 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, then this asset is separately identified in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

The District's Net Position as reported on page 48 increased by \$266,976 (3%) in 2023 and increased by \$6,822 thousand (.08%) in 2022. The increase in 2023 was primarily due to the changes in deferred inflows and outflows of resources related to pension and OPEB actuarial calculations which were partially offset by an increase in net pension liabilities due to changes in actuarial calculations. The minimal increase in 2022 was primarily due to the change in market value of investments.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

Unrestricted net position increased by \$209 thousand in 2023 and decreased by \$126 thousand in 2022. Unrestricted net position may be used without constraints established by bond covenants or other legal requirements. Cash and Cash equivalents increased by \$79 thousand in 2023 which is primarily due to changes in market value in 2023. Cash and Cash equivalents decreased by \$348 thousand in 2022 which is primarily due to changes in market value in 2022.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	Table 2				
	2023	2022	Change	2021	Change
Operating Revenues	\$ 3,021,706	\$ 3,008,735	\$ 12,971	\$ 2,947,186	\$ 61,549
Total Operating Revenues	3,021,706	3,008,735	12,971	2,947,186	61,549
Non-Operating Revenues	164,372	36,677	127,695	13,510	23,167
Total Revenues	3,186,078	3,045,412	140,666	2,960,696	84,716
Operating Expenses					
(Excluding Depreciation)	2,580,324	2,369,915	210,409	1,942,902	427,013
Depreciation Expense	318,972	400,554	(81,582)	408,260	(7,706)
Total Operating Expenses	2,899,296	2,770,469	128,827	2,351,162	419,307
Non-Operating Expenses	19,806	268,121	(248,315)	50,697	217,424
Total Expenses	2,919,102	3,038,590	(119,488)	2,401,859	636,731
Changes in Net Position	266,976	6,822	260,154	558,837	(552,015)
Net Position Beginning of Year	8,906,754	8,899,932	6,822	8,341,095	558,837
Net Position End of Year	\$ 9,173,730	\$ 8,906,754	\$ 266,976	\$ 8,899,932	\$ 6,822

Operating revenues increased \$12,971 in 2023 due to increased other revenues and increased \$61,549 in 2022 due to increased charges for services.

Operating expenses increased by about \$129 thousand in 2023 primarily due to Pension increases resulting from actuarial calculations which were partially offset by decreases in maintenance, depreciation, and purchased water expenses. Operating expenses increased by about \$419 thousand in 2022 primarily due to OPEB increases resulting from actuarial calculations which were partially offset by decreases in salaries and wages and pension expenses. Non-Operating revenues increased by \$127,695 in 2023 due primarily to increases in interest income and the change in market value of investments.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

CAPITAL ASSETS

The District had \$18.2 million invested in total Capital Assets (before depreciation) at the end of 2023 and \$17.8 million at the end of 2022, an increase of \$418 thousand (2%) in 2023 and an increase of \$609 thousand (4%) in 2022. These increases are due to continued updates to the Water District's infrastructure.

Table 3

	2023	2022	Change	2021	Change
Non-Depreciable Capital Assets					
Land	\$ 120,754	\$120,754	-	\$120,754	\$0
Constructions in progress	933	243,389	(242,456)	10,866	232,523
Total Non-Depreciable	121,687	364,143	(242,456)	131,620	232,523
Capital Assets					
Depreciable Capital Assets					
Utility plant – lines	13,208,312	12,899,288	309,024	12,869,555	29,733
Utility plant - towers	1,649,945	1,649,945	-	1,649,945	-
Utility plant - meters	1,047,600	759,455	288,145	469,756	289,699
Utility plant - office and garage	300,820	300,280	540	288,738	11,542
Office equipment and furniture	153,392	153,392	-	153,392	-
Radio telemetry system	454,512	451,539	2,973	451,540	(1)
Trucks and equipment	1,289,385	1,229,688	59,697	1,184,550	45,138
Totals Before Accumulated Depreciation	18,103,966	17,443,587	660,379	17,067,476	376,111
Accumulated Depreciation	(10,573,626)	(10,254,654)	(318,972)	(9,854,101)	(400,553)
Net Depreciable Capital Assets	7,530,340	7,188,933	341,407	7,213,375	(24,442)
Total Capital Assets	\$ 7,652,027	\$ 7,553,076	\$ 98,951	\$ 7,344,995	\$ 208,081

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

DEBT

At December 31, 2023 total debt outstanding of \$628,524 compared to \$720,303 at December 31, 2022.

Table 4

	2023	2022	Change	2021	Change
Ohio Public Works					
Commission (OPWC)	\$ 36,121	\$ 43,530	\$ (7,409)	\$ 51,860	\$ (8,330)
Ohio Water Development					
Authority (OWDA)	592,403	676,773	(84,370)	543,041	133,732
Total Long Term Debt	628,524	720,303	(91,779)	594,901	125,402
Less: Current Maturities	105,713	91,779	13,934	88,758	3,021
Net Total Long Term Debt	<u>\$ 522,811</u>	<u>\$ 628,524</u>	<u>\$ (105,713)</u>	<u>\$ 506,143</u>	<u>\$ 122,381</u>

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

CASH

Cash and cash equivalents were \$2,593,581 on December 31, 2023 and \$2,514,288 on December 31, 2022.

CONTACT INFORMATION

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,593,581	\$ 2,514,288
Accounts receivable, net allowance for doubtful accounts	543,047	565,118
Prepaid expenses	23,072	21,893
TOTAL CURRENT ASSETS	3,159,700	3,101,299
NONCURRENT ASSETS		
Capital Assets:		
Non-depreciable capital assets	121,687	364,143
Depreciable capital assets, net	7,530,340	7,188,933
Total Capital Assets	7,652,027	7,553,076
Net OPEB Assets	-	132,647
TOTAL NONCURRENT ASSETS	7,652,027	7,685,723
DEFERRED OUTFLOWS OF RESOURCES		
Pension	531,265	117,373
OPEB	77,917	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	609,182	117,373
TOTAL ASSETS and DEFERRED OUTFLOWS OF RESOURCES	\$ 11,420,909	\$ 10,904,395
	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Notes payable - current portion	\$ 105,713	\$ 91,779
Accounts Payable	135,415	96,322
Accrued Expenses	100,403	91,260
TOTAL CURRENT LIABILITIES	341,531	279,361
LONG-TERM LIABILITIES		
Net Pension Liability	1,322,803	395,955
Net OPEB Liability	26,299	-
Notes payable - less current portion	522,811	628,524
TOTAL LONG-TERM LIABILITIES	1,871,913	1,024,479
TOTAL LIABILITIES	2,213,444	1,303,840
DEFERRED INFLOWS OF RESOURCES		
Pension	22,721	548,041
OPEB	11,014	145,760
TOTAL DEFERRED INFLOWS OF RESOURCES	33,735	693,801
NET POSITION		
Net Investment in Capital Assets	7,023,503	6,965,420
Unrestricted	2,150,227	1,941,334
TOTAL NET POSITION	9,173,730	8,906,754
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES and NET POSITION	\$ 11,420,909	\$ 10,904,395

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water	\$ 2,809,335	\$ 2,825,598
Tap fees	38,250	40,404
Service charges	62,398	61,585
Late charges	80,898	77,247
Other	30,825	3,901
TOTAL OPERATING REVENUES	<u>3,021,706</u>	<u>3,008,735</u>
OPERATING EXPENSE		
Salaries, wages and benefits	1,139,989	1,088,965
Utilities	186,756	174,345
Depreciation expense	318,972	400,554
Purchased water	808,953	853,691
Telemetry	8,854	7,679
Maintenance	168,745	212,081
Truck and equipment expense	61,607	54,594
Billing expense	36,370	35,337
Pension expense	83,949	(72,577)
OPEB expense	(53,717)	(101,105)
Payroll taxes	9,889	9,630
Insurance	29,853	28,697
Office supplies and postage	57,943	47,504
Legal and accounting fees	16,898	4,498
Travel and auto expense	1,337	1,366
Other expenses	22,898	25,210
TOTAL OPERATING EXPENSES	<u>2,899,296</u>	<u>2,770,469</u>
Operating Income	<u>\$ 122,410</u>	<u>\$ 238,266</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	88,809	29,809
Increase (Decrease) in Fair Value of Investments	69,900	(244,372)
Intergovernmental	5,663	6,868
Interest expense	(19,806)	(23,749)
Net other income (expense)	<u>144,566</u>	<u>(231,444)</u>
CHANGES IN NET POSITION	266,976	6,822
NET POSITION, BEGINNING OF YEAR	<u>8,906,754</u>	<u>8,899,932</u>
NET POSITION, END OF YEAR	<u>\$ 9,173,730</u>	<u>\$ 8,906,754</u>

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,012,952	\$ 2,972,492
Cash received from other income	30,825	3,901
Cash payments to suppliers for goods and services	(1,362,300)	(1,420,963)
Cash payments for employee services and benefits	(1,237,048)	(1,188,214)
Net cash provided by operating activities	<u>444,429</u>	<u>367,216</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments - OPWC loans	(7,409)	(8,330)
Principal payments - OWDA loans	(84,370)	(80,428)
Proceeds from notes payable - OWDA		214,160
Interest payments - OWDA loans	(14,143)	(16,881)
Acquisition of Capital Assets	(417,923)	(608,635)
Net cash used for capital and related financing activities	<u>(523,845)</u>	<u>(500,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	88,809	29,809
Increase (decrease) in fair value of investments	69,900	(244,372)
	<u>158,709</u>	<u>(214,563)</u>
Net increase in cash and cash equivalents	79,293	(347,461)
Cash and cash equivalents, beginning of year	<u>2,514,288</u>	<u>2,861,749</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,593,581</u></u>	<u><u>\$ 2,514,288</u></u>

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 122,410	\$238,266
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	318,972	400,554
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	22,071	(32,342)
(Increase)/Decrease in prepaids	(1,179)	(132)
(Increase)/Decrease in Deferred Outflows of Resources-Pension	(413,892)	(11,686)
(Increase)/Decrease in Deferred Outflows of Resources-OPEB	(77,917)	60,629
(Increase)/Decrease in Net OPEB Asset	132,647	(50,124)
Increase/(Decrease) in accounts payable	39,093	24,171
Increase/(Decrease) in accrued expenses	9,143	7,569
Increase/(Decrease) in Net Pension Liability	926,848	(340,586)
Increase/(Decrease) in Net OPEB Liability	26,299	-
Increase/(Decrease) in Deferred Inflows of Resources-Pension	(525,320)	182,507
Increase/(Decrease) in Deferred Inflows of Resources-OPEB	<u>(134,746)</u>	<u>(111,610)</u>
Total adjustments	<u>322,019</u>	<u>128,950</u>
 Net cash provided by operating activities	 <u><u>\$ 444,429</u></u>	 <u><u>\$367,216</u></u>
 NONCASH TRANSACTIONS		
Intergovernmental revenue - interest subsidy	\$ 5,663	\$ 6,868
Interest expense - interest subsidy	\$ (5,663)	\$ (6,868)

See accompanying notes to the basic financial statements.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE A – NATURE OF ORGANIZATION

Northwest Regional Water District (hereafter referred to as NRWD or the District) was created by the Court of Common Pleas of Scioto County in August of 1966 in accordance with the provisions of Section 6119 et.seq. of the Ohio Revised Code. The District operates under the direction of a twelve member board of trustees. An appointed staff consisting of an office manager and two clerks are responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users, for industrial and business use, and for fire protection. The District serves all parts of the following political subdivisions:

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

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

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

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Fund Accounting

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

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

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

3. Basis of Accounting

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

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

4. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2023 and 2022, and passed annual appropriations and resolutions.

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

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

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

5. Cash and Cash Equivalents

Cash balances of the District's enterprise fund are presented as "Cash and Cash Equivalents" on the statement of net position. Interest income earned by the District totaled \$88,809 and \$29,809 respectively, for the years ended December 31, 2023 and 2022.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2023 and 2022, investments were limited to STAR Ohio, Fifth-Third Bank investment account, savings accounts and certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements, savings accounts and non-negotiable certificates of deposit are recorded at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal years 2023 and 2022. STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2023 and 2022.

The District also has invested funds with broker Fifth Third Bank. The invested funds consist of a money fund, corporate bonds, and certificate of deposits.

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

6. Capital Assets

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

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

7. Compensated Absences

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

Unused sick pay is recorded as a liability based on the Ohio Revised Code Section 124.38. Employees are entitled to 3.08 hours of sick leave for each completed 80 hours up to a maximum of 960 hours and are entitled to a lump sum payment of 1/2 of accumulated sick pay upon retirement or termination if they have more than ten years of service. At December 31, 2023 and 2022 the total vested liability for accumulated unpaid vacation, sick leave and compensatory time recorded was \$57,807 and \$50,028, respectively. These balances are recorded as current liabilities in the accompanying financial statements.

8. Interest Expense

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

9. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2023 and 2022, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are provided.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Accounts Receivable

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

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

11. Estimates

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

12. Balance Sheet Classifications

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

- (1) Current: Due within one year from December 31, 2023
- (2) Noncurrent: Due after December 31, 2024
- (3) Restricted: Restricted for usage by bond and note covenants and grant restrictions
- (4) Unrestricted: Not restricted for usage

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

13. Long Term Obligations

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

14. Deferred Outflows and Deferred Inflows of Resources

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Net Position

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

16. Operating Revenues and Expenses

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

17. Pensions/Other Post Employment Benefits(OPEB)

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

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**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE C – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 was as follows:

	Ending Balance at 12/31/2022	Additions	Deletions	Ending Balance at 12/31/2023
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Construction in Progress	243,389	1,601	(244,057)	933
Total Capital Assets, Not Being Depreciated	364,143	1,601	(244,057)	121,687
Capital Assets, Being Depreciated				
Utility plant - lines	12,899,288	309,024	-	13,208,312
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	759,455	288,145	-	1,047,600
Utility plant - office and garage	300,280	540	-	300,820
Office equipment and furniture	153,392	-	-	153,392
Radio telemetry system	451,539	2,973	-	454,512
Trucks and equipment	1,229,688	59,697	-	1,289,385
Total Capital Assets, Being Depreciated	17,443,587	660,379	-	18,103,966
Less Accumulated Depreciation:				
Utility plant - lines	(7,115,118)	(187,350)	-	(7,302,468)
Utility plant - towers	(764,224)	(27,789)	-	(792,013)
Utility plant - meters	(320,815)	(34,412)	-	(355,227)
Utility plant - office and garage	(253,982)	(12,932)	-	(266,914)
Office equipment and furniture	(132,932)	(4,108)	-	(137,040)
Radio telemetry system	(374,252)	(11,240)	-	(385,492)
Trucks and equipment	(1,293,331)	(41,141)	-	(1,334,472)
Total Accumulated Depreciation	(10,254,654)	(318,972)	-	(10,573,626)
Total Capital Assets Being Depreciated, Net	7,188,933	341,407	-	7,530,340
Total Capital Assets	\$ 7,553,076	\$ 343,008	\$ (244,057)	\$ 7,652,027

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**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE C – CAPITAL ASSETS (Continued)

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

	Ending Balance at 12/31/2021	Additions	Deletions	Ending Balance at 12/31/2022
Capital Assets, Not Being Depreciated				
Land	\$ 120,754	\$ -	\$ -	\$ 120,754
Construction in Progress	10,866	232,523	-	243,389
Total Capital Assets, Not Being Depreciated	131,620	232,523	-	364,143
Capital Assets, Being Depreciated				
Utility plant - lines	12,869,555	29,733	-	12,899,288
Utility plant - towers	1,649,945	-	-	1,649,945
Utility plant - meters	469,756	289,699	-	759,455
Utility plant - office and garage	288,738	11,542	-	300,280
Office equipment and furniture	153,392	-	-	153,392
Radio telemetry system	451,539	-	-	451,539
Trucks and equipment	1,184,550	45,138	-	1,229,688
Total Capital Assets, Being Depreciated	17,067,475	376,112	-	17,443,587
Less Accumulated Depreciation:				
Utility plant - lines	(6,857,119)	(257,999)	-	(7,115,118)
Utility plant - towers	(734,466)	(29,758)	-	(764,224)
Utility plant - meters	(297,648)	(23,167)	-	(320,815)
Utility plant - office and garage	(241,077)	(12,905)	-	(253,982)
Office equipment and furniture	(128,151)	(4,781)	-	(132,932)
Radio telemetry system	(361,906)	(12,346)	-	(374,252)
Trucks and equipment	(1,233,733)	(59,598)	-	(1,293,331)
Total Accumulated Depreciation	(9,854,100)	(400,554)	-	(10,254,654)
Total Capital Assets Being Depreciated, Net	7,213,375	(24,442)	-	7,188,933
Total Capital Assets	\$ 7,344,995	\$ 208,081	\$ -	\$ 7,553,076

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**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE D – LONG-TERM DEBT

The District has the following notes payable at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
0% note payable OPWC, payable in semi-annual installments of \$2,171, due in 2032, secured by property and equipment	\$ 32,567	\$ 36,909
6.39% note payable OWDA, payable in semi-annual installments of \$19,309 due in 2026, secured by property and equipment	71,441	103,929
2.86% note payable OWDA, payable in semi-annual installments of \$5,683 due in 2028, secured by property and equipment	42,674	52,606
4.14% note payable OWDA, payable in semi-annual installments of \$27,096 due in 2029, secured by property and equipment	264,129	306,078
0% note payable OPWC, payable in semi-annual installments of \$922 due in 2023, secured by property and equipment	-	922
0% note payable OPWC, payable in semi-annual installments of \$705 due in 2025, secured by property and equipment	2,818	4,228
0% note payable OPWC, payable in semi-annual installments of \$368 due in 2025, secured by property and equipment	735	1,471
0.00% note payable OWDA due in 2044, secured by property and equipment	214,160	214,160
	<u>628,524</u>	<u>720,303</u>
Less current maturities	<u>(105,713)</u>	<u>(91,779)</u>
Total long-term debt	<u>\$ 522,811</u>	<u>\$ 628,524</u>

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE D – LONG-TERM DEBT (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2023 are as follows:

	Principal	Interest	Total
2024	105,713	15,656	121,369
2025	109,350	11,288	120,638
2026	73,302	7,305	80,607
2027	75,598	5,009	80,607
2028	77,395	3,253	80,648
2029-2033	80,086	549	80,635
2034-2038	53,540	-	53,540
2039-2043	53,540	-	\$53,540
Total	<u>628,524</u>	<u>\$43,060</u>	<u>\$671,584</u>

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amount Due Within One Year
OWDA (Direct Borrowing)	\$ 676,773	\$ -	\$ 84,369	\$ 592,404	\$ 99,227
OPWC (Direct Borrowing)	43,530	-	7,410	36,120	6,486
Net Pension Liabilities	395,955	926,848	-	1,322,803	-
Net OPEB Liabilities	-	26,299	-	26,299	-
	<u>\$ 1,116,258</u>	<u>\$ 953,147</u>	<u>\$ 91,779</u>	<u>\$ 1,977,626</u>	<u>\$ 105,713</u>

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022	Amount Due Within One Year
OWDA (Direct Borrowing)	\$ 543,041	\$ 214,160	\$ 80,428	\$ 676,773	\$ 84,370
OPWC (Direct Borrowing)	51,860	-	8,330	43,530	7,409
Net Pension Liabilities	736,541	-	340,586	395,955	-
Net OPEB Liabilities (1)	-	-	-	-	-
	<u>\$ 1,331,442</u>	<u>\$ 214,160</u>	<u>\$ 429,344</u>	<u>\$ 1,116,258</u>	<u>\$ 91,779</u>

(1) The District had a net OPEB asset of \$132,647 as of December 31, 2022, so no liability is reported as of December 31, 2022.

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The District will receive an estimated \$24,041 of additional interest subsidies through 2029. In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$494,827 at December 31, 2023. For the year ended December 31, 2023 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: \$441,382 and \$84,370, and \$14,143, respectively. The OWDA loans contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the District shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE E – DEPOSITS AND INVESTMENTS

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand At year end, the District has \$450 in undeposited cash on hand which is included on the statement of net position of the District as part of “cash and cash equivalents”.

Deposits Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

As of December 31, 2023, the District’s bank balance of \$1,709,169 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2022, the District’s bank balance of \$1,773,012 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments are reported at fair value. As of December 31, 2023 and 2022, the District had the following investments:

	<u>Fair Value 2023</u>	<u>Maturity</u>
Negotiable Certificates of		
Deposit	\$430,407	\$430,407 3-5 years
Fixed Income Securities	550,844	\$550,844 3-5 years
Money Market	62,540	\$62,540 < 1 year
STAR Ohio	102,079	\$102,079 < 1 year
Total	<u>\$1,145,870</u>	
	<u>Fair Value 2022</u>	<u>Maturity</u>
Negotiable Certificates of		
Deposit	\$225,050	\$225,050 3-5 years
Fixed Income Securities	488,301	\$488,301 3-5 years
Money Market	27,689	\$27,689 < 1 year
STAR Ohio	96,891	\$96,891 < 1 year
Total	<u>\$837,931</u>	

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

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

Fifth Third Bank invests in corporate bonds and various funds such as mutual funds, money funds and certificate of deposits. Corporate bonds, mutual funds and money funds are not insured or guaranteed by the federal government. The negotiable certificates of deposit are insured up to \$250,000 per account owner per institution.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE E – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The following is the District's allocation as of December 31, 2023 and 2022:

<u>Year</u>	<u>Investment Type</u>	<u>Percentage of Investments</u>
2023	Negotiable CDs	38%
	Fixed Income –	
2023	Corporate Bonds	48%
2023	Money Market	5%
2023	STAR Ohio	9%
2022	Negotiable CDs	27%
	Fixed Income –	
2022	Corporate Bonds	58%
2022	Money Market	3%
2022	STAR Ohio	12%

NOTE F – CONTINGENT LIABILITIES

There were no contingent liabilities as of December 31, 2023 or December 31, 2022.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2023, the District contracted with Kinder's Insurance Agency for real property, building contents, and vehicle insurance coverage.

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

NOTE H - ACCOUNTS RECEIVABLE

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

2023 – Accounts receivable, net allowance for doubtful accounts - \$543,047

2022 – Accounts receivable, net allowance for doubtful accounts - \$565,118

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE I - DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that 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.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

Plan Description – Ohio Public Employees Retirement System (OPERS) - 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' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2023, the Combined Plan was consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option is no longer be available for member selection.

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

	<u>Local</u>
2023 and 2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2023 and 2022 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>
* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.	
** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.	

The District's contractually required contribution to OPERS was \$96,313 for fiscal year 2023 and \$97,188 for 2022 respectively, of which the entire amount was paid during 2023. Of this amount \$8,238 and \$8,238 were reported as a payroll related liability for 2023 and 2022, respectively.

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

The net pension liability reported as of December 31, 2023 and December 31, 2022 were measured as of December 31, 2022 and December 31, 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE I – DEFINED BENEFIT PENSION PLANS - Continued

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

	2023	2022
	OPERS	OPERS
Proportionate Share of the Net Pension Liability - Current Year	0.0044780%	0.0045510%
Proportionate Share of the Net Pension Liability - Prior Year	0.0045510%	0.0049740%
Change in Proportionate Share Proportion of the Net Pension Liability	<u>-0.0000730%</u>	<u>-0.0004230%</u>
Pension Expense (Gain)	\$1,322,803	\$395,955
	\$83,949	(\$72,580)

At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	2022
	OPERS	OPERS
Deferred Outflows of Resources		
Differences between projected and actual economic experience	\$ 43,938	\$ 20,185
Changes in assumptions	13,974	-
Differences between projected and actual investment earnings	377,040	-
District contributions subsequent to the measurement date	96,313	97,188
Total	<u>\$ 531,265</u>	<u>\$ 117,373</u>
Deferred Inflows of Resources		
Differences between projected and actual economic experience	\$ -	\$ 8,684
Differences between projected and actual investment earnings	-	470,974
Changes in proportion	22,721	68,383
Total	<u>\$ 22,721</u>	<u>\$ 548,041</u>

\$96,313 and \$97,188 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement dates as of December 31, 2023 and 2022 respectively, will be recognized as a reduction of the net pension liability in the years ending December 31, 2024 and 2023, 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:

	OPERS
Year Ending December 31:	
2024	\$30,959
2025	85,591
2026	110,981
2027	<u>184,700</u>
Total	<u>\$412,231</u>

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022 and 2021, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2022 and 2021, are presented below for the OPERS Traditional Plan.

	<u>2022</u>	<u>2021</u>
	5-year period ended December 31,	5-year period ended December 31,
	2020	2020
Experience Study		
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2023, then 2.05 percent, simple	3 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

The allocation of investment assets with the defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022 and 2021, these best estimates are summarized in the following table:

Asset Class	2022 Target Allocation	2021 Target Allocation	2022	2021
			Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	22.00 %	24.00 %	2.62 %	1.03 %
Domestic Equities	22.00	21.00	4.60	3.78
Real Estate	13.00	11.00	3.27	3.66
Private Equity	15.00	12.00	7.53	7.43
International Equities	21.00	23.00	5.51	4.88
Risk Parity	2.00	5.00	4.37	2.92
Other Investments	5.00	4.00	3.27	2.85
Total	100.00 %	100.00 %		

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 12.1% for 2022.

Discount Rate The discount rate used to measure the total pension liability was 6.9% and 6.9% for the Traditional Pension Plan for the years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE I – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following tables presents the District's proportionate share of the net pension liability calculated as of the measurement dates of December 31, 2022 and 2021 using the current period discount rate assumption of 6.9 and 6.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 and 5.9 percent) or one-percentage-point higher (7.9 and 7.9 percent) than the current rate:

For the year ended December 31, 2023:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$1,981,515	\$1,322,803	\$774,873

For the year ended December 31, 2022:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$1,044	\$395,955	(\$143)

NOTE J - DEFINED BENEFIT OPEB PLANS

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

Net Other Postemployment Benefits (OPEB) Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 (asset) represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB. GASB 75 assumes the liability/asset is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability (asset) on the accrual basis of accounting.

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022**

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A 30 years of qualifying service credit at any age;

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. District to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023 and 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2023 and calendar year 2022. For the calendar year 2022 and for the time period January 1, 2023 through June 30, 2023, OPERS did not allocate any employer contributions to health care for members in the Combined Plan. For the time period July 1, 2023 through December 31, 2023 OPERS allocated 2.0 percent of employer contributions to health care for members in the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2023 and 2022 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$0 for 2023 and 2022.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021 and 2020 rolled forward to the measurement dates of December 31, 2022 and 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2023 OPERS	2022 OPERS
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.0041710%	0.0042350%
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	<u>0.0042350%</u>	<u>0.0046320%</u>
Change in Proportionate Share	<u>0.0000640%</u>	<u>-0.0003970%</u>
Proportion of the Net OPEB Liability (Asset)	\$26,299	(\$132,647)
OPEB Expense (Gain)	(\$53,717)	(\$101,105)

At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	2023 OPERS	2022 OPERS
Changes of assumptions	\$ 25,687	\$ -
Differences between projected and actual investment earnings	52,230	-
Total	<u>\$ 77,917</u>	<u>\$ -</u>
Deferred Inflows of Resources	2023 PERS	2022 PERS
Differences between expected and actual economic experience	\$ 6,560	\$ 20,120
Differences between projected and actual investment earnings	-	63,236
Changes of assumptions	2,114	53,694
Change in proportion	2,340	8,710
Total	<u>\$ 11,014</u>	<u>\$ 145,760</u>

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

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

	<u>OPERS</u>
Fiscal Year Ending December:	
2024	\$ 6,297
2025	19,087
2026	16,288
2027	<u>25,231</u>
	<u>\$66,903</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021 and 2020, rolled forward to the measurement dates of December 31, 2022 and 2021.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation at 2.75%	2.75 to 10.75 percent including wage inflation
Future Salary Increases, including inflation		
Single Discount Rate:		
Current measurement date	5.22 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent ultimate in 2036	5.5 percent, initial 3.50 percent ultimate in 2034
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Experience Study	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2020

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – OPERS - Continued

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health-care related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was a gain of 15.6% for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022 and 2021, these best estimates are summarized in the following table:

Asset Class	2022 Target Allocation	2021 Target Allocation	2022	2021
			Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	34.00 %	2.56 %	0.91 %
Domestic Equities	26.00	25.00	4.60	3.78
Real Estate Investment Trust	7.00	7.00	4.70	3.71
International Equities	25.00	25.00	5.51	4.88
Risk Parity	2.00	2.00	4.37	2.92
Other Investments	6.00	7.00	1.84	1.93
Total	100.00 %	100.00 %		

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and

**NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY**
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – OPERS - Continued

(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 (Fidelity Index's "20-Year Municipal GO AA Index") for the year ended December 31, 2022. 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 for the year ended December 31, 2021. 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

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

The following table presents the District's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2022, using the single discount rate of 5.22 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
District's proportionate share of the net OPEB liability (asset)	\$89,510	\$26,299	(\$25,860)

The following table presents the District's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2021, using the single discount rate of 6.00 percent, as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
District's proportionate share of the net OPEB liability (asset)	(\$78,009)	(\$132,647)	(\$177,997)

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. 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.

NORTHWEST REGIONAL WATER DISTRICT
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – OPERS - Continued

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 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 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.

For the fiscal year ended December 31, 2023:

		Current Health Care Cost Trend Rate	
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (asset)	\$24,651	\$26,299	\$28,154

For the fiscal year ended December 31, 2022:

		Current Health Care Cost Trend Rate	
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (asset)	(\$134,080)	(\$132,647)	(\$130,946)

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.004478%	0.004551%	0.004974%	0.005040%	0.004759%	0.004520%	0.004397%
District's proportionate share of the net pension liability	\$ 1,322,803	\$ 395,955	\$ 736,541	\$ 996,190	\$ 1,303,394	\$ 709,100	\$ 998,484
District's covered payroll	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
District's proportionate share of the net pension liability as a percentage of its covered payroll	190.55%	59.95%	105.13%	140.47%	188.28%	109.57%	150.57%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%

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

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 96,313	\$ 97,188	\$ 92,465	\$ 98,083	\$ 99,283	\$ 89,992	\$ 77,660	\$ 79,577
Contributions in relation to the contractually required contribution	<u>(96,313)</u>	<u>(97,188)</u>	<u>(92,465)</u>	<u>(98,083)</u>	<u>(99,283)</u>	<u>(89,992)</u>	<u>(77,660)</u>	<u>(79,577)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 687,950	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information

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

	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.00417100%	0.00423500%	0.00463200%	0.00469400%	0.00443200%	0.00422000%	0.00411000%
District's proportionate share of the net OPEB liability (asset)	\$ 26,299	\$ (132,647)	\$ (82,523)	\$ 648,363	\$ 577,828	\$ 458,261	\$ 415,124
District's covered payroll	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	3.79%	-20.08%	-11.78%	91.43%	83.47%	70.81%	62.60%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

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

See notes to accompanying required supplementary information

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,971	\$ 16,758
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,971)</u>	<u>(16,758)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 687,950	\$ 694,200	\$ 660,464	\$ 700,593	\$ 709,164	\$ 692,246	\$ 647,167	\$ 663,142
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.90%	2.50%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information

Northwest Regional Water District
Notes to the Required Supplementary Information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in Assumptions – OPERS Pension– Traditional Plan

There was a change in assumptions for 2023 and 2022. There were no changes in assumptions for 2021 and 2020. 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 beginning in 2017 and in 2016 are presented below:

	2023	2022	2021, 2020 and 2019
Wage Inflation	2.75 percent	2.75 percent	3.25 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage 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 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	See below	See below	See below
Investment Rate of Return	6.9 percent	6.9 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
	2018 and 2017	2016 and prior	
Wage Inflation	3.25 percent	3.75 percent	
Future Salary Increases, including 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 Retirees	3 percent, simple	3 percent, simple	
Post-January 7, 2013 Retirees	See below	See below	
Investment Rate of Return	7.5 percent	8 percent	
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in Assumptions – OPERS Pension– Traditional Plan (Continued)

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality 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 tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 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.

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:

2023-2019	6 percent
2018	6.5 percent

Municipal Bond Rate:

2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent

Single Discount Rate:

2023	5.22 percent
2022-2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent

Health Care Cost Trend Rate:

2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10 percent, initial 3.5 percent, ultimate in 2030
2019	10 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028



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

Northwest Regional Water District
Scioto County
P.O. Box 158
McDermott, Ohio 45652

To the Board of Directors:

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 Northwest Regional Water District, Scioto County, Ohio (the District) as of and for the years ended December 31, 2024, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and slightly slanted to the right.

BHM CPA Group, Inc.
Portsmouth, Ohio

June 13, 2025

OHIO AUDITOR OF STATE KEITH FABER



NORTHWEST REGIONAL WATER DISTRICT

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/30/2025

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

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