

**JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2014

MARK D. WILLIAMS, CONTROLLER



Dave Yost • Auditor of State

Board of Trustees
Jefferson Water and Sewer District
6455 Taylor Road
Blacklick, OH 43004

We have reviewed the *Independent Auditor's Report* of the Jefferson Water and Sewer District, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. 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 Jefferson Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 8, 2015

This page intentionally left blank.

**JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 7
Basic Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position.....	9
Statements of Cash Flows	10
Notes to the Basic Financial Statements.....	11 - 27
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	28 - 29



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Jefferson Water and Sewer District
Franklin County
6455 Taylor Road
Blacklick, OH 43004

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Jefferson Water and Sewer District, Franklin County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Jefferson Water and Sewer District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Jefferson Water and Sewer District, Franklin County, Ohio, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the Jefferson Water and Sewer District's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, on our consideration of the Jefferson Water and Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jefferson Water and Sewer District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 28, 2015

Jefferson Water and Sewer District
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

This discussion and analysis, along with the accompanying financial reports, of Jefferson Water and Sewer 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 of the District exceeded total liabilities on December 31, 2014 and 2013 by \$14,263,251 and \$13,482,837, respectively. The District's net position increased by \$780,414 (5.8%) in 2014 and by \$425,434 (3.3%) in 2013.

The District's operating revenues increased by \$59,858 (1.3%) in 2014 and decreased by \$20,988 (-0.4%) in 2013. Operating expenses (excluding depreciation expense) increased by \$78,848 (2.8%) in 2014 and increased by \$259,771 (10.4%) in 2013. Depreciation expense increased \$21,920 (2.6%) in 2014 and decreased \$3,389 (-0.4%) in 2013.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to accounting used by private sector businesses. The basic financial statements are presented using the accrual basis of accounting.

The statements of net position include all of the District's assets and liabilities. 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, 2014 and 2013. The District's net position is the difference between assets and liabilities.

The statements of revenues, expenses and changes in net position provide information on the District's operations over the past two years 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 financing activities.

Jefferson Water and Sewer District
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

STATEMENTS OF NET POSITION

Table 1 summarizes the statements of net position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in capital assets" are capital assets less outstanding debt that was used to acquire those assets.

	Table 1				
	2014	2013	Change	2012	Change
Current and Other Assets	\$4,869,386	\$4,755,129	\$114,257	\$5,018,955	(\$263,826)
Capital Assets, Net	21,984,395	22,388,374	(403,979)	22,656,553	(268,179)
Total Assets	26,853,781	27,143,503	(289,722)	27,675,508	(532,005)
Long Term Liabilities	10,675,448	11,791,202	(1,115,754)	12,847,861	(1,056,659)
Current and Other Liabilities	1,915,082	1,869,464	45,618	1,770,244	99,220
Total Liabilities	12,590,530	13,660,666	(1,070,136)	14,618,105	(957,439)
Net Position					
Net Investment in Capital Assets	10,193,190	9,540,513	652,677	8,807,487	733,026
Unrestricted	4,070,061	3,942,324	127,737	4,249,916	(307,592)
Total Net Position	\$14,263,251	\$13,482,837	\$780,414	\$13,057,403	\$425,434

The District's assets decreased by \$289,722 in 2014. The decrease is primarily a result of a decrease in capital assets and assessments receivable and was partially offset by an increase in investments. The decrease in capital assets is primarily a result of current year depreciation in excess of additions. The decrease in assessments receivable is a result of assessments received during the fiscal year and the increase in investments is primarily a result of an excess of cash receipts over cash disbursements. Liabilities decreased \$1,070,136 in 2014. This decrease is primarily due to principal payments on debt.

Unrestricted net position increased by \$127,737 in 2014. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by \$652,677 from 2013 to 2014 primarily due to additions of capital assets and payments on debt balances which were only partially offset by an increase in depreciation expense.

The District's assets decreased by \$532,005 in 2013. The decrease is primarily a result of a decrease in capital assets and cash and cash equivalents and was partially offset by an increase in inventory. The decrease in capital assets is primarily a result of current year depreciation in excess of additions. The decrease in cash and cash equivalents and increase of inventory is primarily a result of the purchase and installation of several meters. Liabilities decreased \$957,439 in 2013. This decrease is primarily due to principal payments on debt.

Unrestricted net position decreased by \$307,592 in 2013. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by \$733,026 from 2012 to 2013 primarily due to additions of capital assets and payments on debt balances.

Jefferson Water and Sewer District
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table 2 below summarizes the changes in revenues, expenses and net position.

Table 2					
	2014	2013	Change	2012	Change
Operating Revenues	\$4,778,679	\$4,718,821	\$59,858	\$4,739,809	(\$20,988)
Total Operating Revenues	4,778,679	4,718,821	59,858	4,739,809	(20,988)
Operating Expenses (Excluding Depreciation)	2,848,299	2,769,451	78,848	2,509,680	259,771
Depreciation Expense	880,137	858,217	21,920	861,606	(3,389)
Total Operating Expenses	3,728,436	3,627,668	100,768	3,371,286	256,382
Operating Income	1,050,243	1,091,153	(40,910)	1,368,523	(277,370)
Non-Operating Revenues	79,323	36,489	42,834	83,467	(46,978)
Non-Operating Expenses	(634,804)	(702,208)	67,404	(776,535)	74,327
Capital Contributions	285,652	0	285,652	0	0
Changes in Net Position	780,414	425,434	354,980	675,455	(250,021)
Net Position at Beginning of Year	13,482,837	13,057,403	425,434	12,381,948	675,455
Net Position at End of Year	\$14,263,251	\$13,482,837	\$780,414	\$13,057,403	\$425,434

Operating revenues increased by \$59,858 from 2013 to 2014 which is primarily due to an increase in charges for services which was partially offset by a decrease in tap fees.

Operating expenses increased by \$100,768 from 2013 to 2014 primarily due to an increase in plant operations related expenses for sewer treatment costs and capital recovery fees to the City of Columbus. General and administration expenses also increased due to an increase in legal fees related to an employee matter.

Operating revenues decreased by \$20,988 from 2012 to 2013 which is primarily due to a decrease in charges for services which was offset by an increase in tap fees due to the sharp increase in new homes in the area.

Operating expenses increased by \$256,382 from 2012 to 2013 primarily due to an increase in plant operations related expenses for the installation of new taps, and increase in sewer treatment costs to the City of Columbus, increase in plant chemicals, and is also due to an increase in salaries and payroll related expenses due to an increase in overtime, premium and holiday pay, bonuses provided by the Board to employees and new employees.

Jefferson Water and Sewer District
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

CAPITAL ASSETS

The District had \$33,247,677 and \$32,800,490 invested in depreciable capital assets (before depreciation) at the end of 2014 and 2013, respectively. This amount is an increase of \$447,187 (1.4%) from 2013 to 2014 and an increase of \$535,446 (1.7%) from 2012 to 2013. The increase in 2014 is primarily the result of completed construction projects and the addition of donated water and sewer lines. The increase in 2013 is primarily the result of completed construction projects and the addition of furniture and general equipment. This project was funded by a USDA loan through 2006 and a commercial bank loan in 2007. For additional information regarding capital assets, please see note 4 to the basic financial statements.

	Table 3				
	2014	2013	Change	2012	Change
Non-depreciable Capital Assets					
Land and land easements	\$671,076	\$671,076	\$0	\$663,326	\$7,750
Construction in progress	104,918	75,947	28,971	29,105	46,842
Total Non-depreciable Capital Assets	775,994	747,023	28,971	692,431	54,592
Depreciable Capital Assets					
Buildings and improvements	5,270,703	5,268,802	1,901	5,268,802	0
Completed construction	15,807,860	15,666,294	141,566	15,455,916	210,378
Furniture and general equipment	2,743,532	2,725,464	18,068	2,400,396	325,068
Vehicles and accessories	196,313	196,313	0	196,313	0
Donated assets	9,229,269	8,943,617	285,652	8,943,617	0
Totals Before					
Accumulated Depreciation	33,247,677	32,800,490	447,187	32,265,044	535,446
Accumulated Depreciation	(12,039,276)	(11,159,139)	(880,137)	(10,300,922)	(858,217)
Net Depreciable Capital Assets	21,208,401	21,641,351	(432,950)	21,964,122	(322,771)
Total Capital Assets	<u>\$21,984,395</u>	<u>\$22,388,374</u>	<u>(\$403,979)</u>	<u>\$22,656,553</u>	<u>(\$268,179)</u>

DEBT

The District issues long term debt to finance much of its construction. With the exception of the Rural Development bonds and the PNC Financial Corporation loan, the Ohio Water Development Authority (OWDA) loans were used to finance most general improvement projects.

	Table 4				
	2014	2013	Change	2012	Change
Ohio Water Development Authority (OWDA)	\$6,826,305	\$7,660,061	(\$833,756)	\$8,441,066	(\$781,005)
Rural Development	4,404,900	4,467,800	(62,900)	4,528,000	(60,200)
PNC Financial Corp	560,000	720,000	(160,000)	880,000	(160,000)
Total Long Term Debt	11,791,205	12,847,861	(1,056,656)	13,849,066	(1,001,205)
Less: Current Maturities	1,115,757	1,056,659	59,098	1,001,205	55,454
Net Total Long Term Debt	<u>\$10,675,448</u>	<u>\$11,791,202</u>	<u>(\$1,115,754)</u>	<u>\$12,847,861</u>	<u>(\$1,056,659)</u>

The District's debt is paid from operating revenues generated by the District. For additional information regarding debt, please see note 6 to the basic financial statements.

Jefferson Water and Sewer District
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

CASH

Cash and cash equivalents were \$1,625,257 on December 31, 2014 and \$1,473,195 on December 31, 2013.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Mark Williams, Jefferson Water and Sewer District, 6455 Taylor Rd., Blacklick, Ohio 43004 or (614) 864-0740.

Jefferson Water and Sewer District
Statements of Net Position
As of December 31, 2014
(With Comparative Amounts for 2013)

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$1,366,809	\$1,320,216
Investments	2,175,765	2,163,855
Accounts receivable	516,836	473,109
Inventory	274,925	331,748
Prepaid expense	41,599	34,327
Intergovernmental receivable	9,477	9,477
Current portion of notes receivable - tap fees	2,194	4,194
Total Current Assets	4,387,605	4,336,926
RESTRICTED ASSETS:		
Restricted cash and cash equivalents	258,448	152,979
Water assessments receivable	153,419	183,813
Sewer assessments receivable	69,914	81,411
Total Restricted Assets	481,781	418,203
CAPITAL ASSETS:		
Capital assets, not being depreciated	775,994	747,023
Capital assets, net of accumulated depreciation	21,208,401	21,641,351
Total Capital Assets	21,984,395	22,388,374
Total Assets	\$26,853,781	\$27,143,503
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$241,324	\$250,360
Accrued wages and benefits and withholding payroll expenses	138,502	136,146
Current portion of long term debt	1,115,757	1,056,659
Accrued interest payable	319,305	352,459
Customer deposits- payable	100,194	73,840
Total Current Liabilities	1,915,082	1,869,464
LONG TERM LIABILITIES:		
Long term debt less current portion	10,675,448	11,791,202
Total Long Term Liabilities	10,675,448	11,791,202
Total Liabilities	12,590,530	13,660,666
NET POSITION:		
Net Investment in capital assets	10,193,190	9,540,513
Unrestricted	4,070,061	3,942,324
Total Net Position	14,263,251	13,482,837
Total Liabilities and Net Position	\$26,853,781	\$27,143,503

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

Jefferson Water and Sewer District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2014
(With Comparative Amounts for 2013)

	2014	2013
OPERATING REVENUES:		
Charges for services	\$4,376,092	\$4,237,332
Tap fees	324,906	382,859
Miscellaneous income	77,681	98,630
Total Operating Revenues	4,778,679	4,718,821
OPERATING EXPENSES:		
Plant operations	1,757,368	1,688,695
Salaries and payroll related expenses	947,554	976,704
General and administration expenses	143,377	104,052
Depreciation	880,137	858,217
Total Operating Expenses	3,728,436	3,627,668
Operating Income	1,050,243	1,091,153
NONOPERATING INCOME AND (EXPENSES):		
Gain on disposal of capital assets	0	750
Interest income	79,323	35,739
Interest expense	(634,804)	(702,208)
Total Nonoperating Income (Expenses)	(555,481)	(665,719)
Increase In Net Position before Capital Contributions	494,762	425,434
Capital Contributions - Donated Lines	285,652	0
Increase In Net Position	780,414	425,434
Net Position, Beginning of Year	13,482,837	13,057,403
Net Position, End of Year	\$14,263,251	\$13,482,837

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

Jefferson Water and Sewer District
Statements of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Amounts for 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$4,659,271	\$4,615,573
Cash received from other operating income	77,681	98,630
Cash payments to suppliers for goods and services	(1,860,230)	(2,082,077)
Cash payments for employee services and benefits	(945,198)	(957,648)
Net Cash Provided by Operating Activities	<u>1,931,524</u>	<u>1,674,478</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer Deposits - Payable	<u>26,354</u>	<u>23,367</u>
Net Cash Provided by Non-Capital Financing Activities	<u>26,354</u>	<u>23,367</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction of water and sewer projects and other capital acquisitions	(190,506)	(590,038)
Principal payments on construction loans	(1,056,656)	(1,001,205)
Interest payments on construction loans	(667,958)	(733,040)
Special assessment collections - principal	41,891	43,362
Special assessment collections - interest	18,604	21,492
Proceeds from disposal of capital assets	<u>0</u>	<u>750</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,854,625)</u>	<u>(2,258,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(11,910)	(2,163,855)
Interest received on bank accounts	<u>60,719</u>	<u>14,247</u>
Net Cash Provided by (Used for) Investing Activities	<u>48,809</u>	<u>(2,149,608)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	152,062	(2,710,442)
Cash and Cash Equivalents, Beginning of the Year	<u>1,473,195</u>	<u>4,183,637</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$1,625,257</u></u>	<u><u>\$1,473,195</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$1,050,243	\$1,091,153
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	880,137	858,217
CHANGES IN NET ASSETS AND LIABILITIES:		
Increase in accounts receivable	(43,727)	(4,618)
(Increase) decrease in prepaid expense	(7,272)	103
(Increase) decrease in inventory	56,823	(321,608)
Decrease in notes receivable	2,000	0
Increase (decrease) in accounts payable (operating)	(9,036)	32,175
Increase in accrued wages and benefits and withholding payroll taxes	<u>2,356</u>	<u>19,056</u>
Total Adjustments	<u>881,281</u>	<u>583,325</u>
Net Cash Provided by Operating Activities	<u><u>\$1,931,524</u></u>	<u><u>\$1,674,478</u></u>

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

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

1. NATURE OF ORGANIZATION

Jefferson Water and Sewer District (the “District”) was created by the Court of Common Pleas of Franklin County to provide water and sewer services to the residents of Jefferson Township in accordance with the provisions of section 6119.01, et seq. Of the Ohio Revised Code. The District is managed by a Board comprised of five appointed trustees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

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, liabilities, 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.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Measurement Focus and Basis of Accounting

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with operations are included on the statements of net position. The operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

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, 2014 and 2013, 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 encumbered cash as of January 1.

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

Revenue Recognition

Revenues for the service fees are recorded in the period the service is provided. Revenue for tap fees from developers is recorded when construction of the main water and sewer lines to a development is complete and the District and the developer have satisfied the terms of the tap agreement. The principal portion of tap fee revenues from customer five-year notes receivable is recognized in the year the note is executed; interest from the notes receivable is recognized in the year earned. All other revenue is recognized when earned.

Accounts Receivable

Accounts receivable are shown at their net realizable value. The direct write-off method is used to record bad debts. Uncollectible accounts receivable are charged to operations during the period in which they are determined to be uncollectible. The results of using the direct write-off method closely approximate the reserve method of accounting for receivables. Bad debts are only recorded after all efforts for collection are exhausted, including certifying delinquent accounts to the county auditor, which are attached to real estate tax billings.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid expenses using the consumption method. An asset for prepaid amounts is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

Capital Assets

Capital assets are stated at cost (except as noted in the next paragraph with respect to donated developer lines) and are depreciated over the estimated useful lives of the assets from 5 years to 50 years depending upon the type of asset. The District capitalizes assets that have a value or cost in excess of \$1,000 at the date of acquisition and an expected useful life of one or more years.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated developer lines are stated at fair value based on developer documentation, and are depreciated over 50 years, which represents the estimated useful lives of the assets.

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments with a maturity of three months or less at the time they are purchased by the District are considered to be pooled cash and investments and are reported as “cash and cash equivalents” in the accompanying financial statements.

Interest Expense

Interest expense for the years ended December 31, 2014 and 2013 represents the interest portion of construction loan payments to the Ohio Water Development Authority, Rural Development, and PNC Financial Corporation in the amount of \$634,804 and \$702,208.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Board Designated Cash Fund

The Board of Trustees allocates \$1,500 each year, via resolution, for expenditures to be designated by the Trustees. This procedure is in accordance with the Ohio Revised Code. Board discretionary expenditures for the years ended December 31, 2014 and 2013 were \$0 and \$282, respectively, and were approved as bills and paid individually.

Vacation, Sick Leave and Other Compensated Absences

The District’s employees are entitled to certain compensated absences based on their length of employment. Accrued employee benefits include cumulative vested vacation, sick leave, and compensatory hours multiplied by current hourly rates.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are service revenues and late charges for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund. Revenues and expenses not meeting these definitions are identified as non-operating.

Net Position

Net position represents the difference between assets and liabilities. 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.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventory of Materials and Supplies

Inventories of materials and supplies are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Restricted Assets

Restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset. Restricted assets represent certain resources segregated from other resources of the District to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the District or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Planning Costs – Proposed Projects

The planning costs for proposed projects are comprised of engineering, legal and administrative planning costs which are not allocated to specific projects currently in construction. If the proposed project begins construction, the respective planning costs will be included in capital assets and depreciated. If the proposed project does not enter construction, respective planning costs will be deemed impaired assets and written-off.

Comparative Information

Comparative data for the prior year has been presented in selected sections of the basic financial statements in order to provide an understanding of the changes in the District's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's basic financial statements for the year ended December 31, 2013, from which the comparative data was derived.

3. RECEIVABLES

Accounts receivable are presented at their net realizable value of \$516,836 and \$473,109 as of December 31, 2014 and 2013.

Assessment receivables represent the principal portion of assessments for water and sewer line construction costs to local service users. These amounts will generally be paid over the life of the related debt (see Note 6) including interest rates ranging from 6.16% to 7.14% and are reported as restricted assets.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014 was as follows:

	Ending Balance at 12/31/2013	Additions	Deletions	Ending Balance at 12/31/2014
Capital Assets and Land Easements, Not Being Depreciated				
Land and Land Easements	\$671,076	\$0	\$0	\$671,076
Construction in Progress	75,947	131,986	(103,015)	104,918
Total Capital Assets, Not Being Depreciated	747,023	131,986	(103,015)	775,994
Capital Assets, Being Depreciated				
Buildings and Improvements	5,268,802	1,901	0	5,270,703
Water and Sewer Lines and Related Infrastructure	15,666,294	141,566	0	15,807,860
Vehicles and Accessories	196,313	0	0	196,313
Furniture and General Equipment	2,725,464	18,068	0	2,743,532
Donated Water and Sewer Lines	8,943,617	285,652	0	9,229,269
Total Capital Assets, Being Depreciated	32,800,490	447,187	0	33,247,677
Less Accumulated Depreciation:				
Buildings and Improvements	(1,643,694)	(148,533)	0	(1,792,227)
Water and Sewer Lines and Related Infrastructure	(5,969,267)	(402,043)	0	(6,371,310)
Vehicles and Accessories	(163,036)	(12,579)	0	(175,615)
Furniture and General Equipment	(1,256,506)	(135,014)	0	(1,391,520)
Donated Water and Sewer Lines	(2,126,636)	(181,968)	0	(2,308,604)
Total Accumulated Depreciation	(11,159,139)	(880,137)	0	(12,039,276)
Total Capital Assets Being Depreciated, Net	21,641,351	(432,950)	0	21,208,401
Total Capital Assets	\$22,388,374	(\$300,964)	(\$103,015)	\$21,984,395

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

4. CAPITAL ASSETS - CONTINUED

Capital assets activity for the year ended December 31, 2013 was as follows:

	Ending Balance at 12/31/2012	Additions	Deletions	Ending Balance at 12/31/2013
Capital Assets and Land Easements, Not Being Depreciated				
Land and Land Easements	\$663,326	\$7,750	\$0	\$671,076
Construction in Progress	29,105	46,842	0	75,947
Total Capital Assets, Not Being Depreciated	692,431	54,592	0	747,023
Capital Assets, Being Depreciated				
Buildings and Improvements	5,268,802	0	0	5,268,802
Water and Sewer Lines and Related Infrastructure	15,455,916	210,378	0	15,666,294
Vehicles and Accessories	196,313	0	0	196,313
Furniture and General Equipment	2,400,396	325,068	0	2,725,464
Donated Water and Sewer Lines	8,943,617	0	0	8,943,617
Total Capital Assets, Being Depreciated	32,265,044	535,446	0	32,800,490
Less Accumulated Depreciation:				
Buildings and Improvements	(1,506,509)	(137,185)	0	(1,643,694)
Water and Sewer Lines and Related Infrastructure	(5,569,784)	(399,483)	0	(5,969,267)
Vehicles and Accessories	(149,874)	(13,162)	0	(163,036)
Furniture and General Equipment	(1,127,230)	(129,276)	0	(1,256,506)
Donated Water and Sewer Lines	(1,947,525)	(179,111)	0	(2,126,636)
Total Accumulated Depreciation	(10,300,922)	(858,217)	0	(11,159,139)
Total Capital Assets Being Depreciated, Net	21,964,122	(322,771)	0	21,641,351
Total Capital Assets	\$22,656,553	(\$268,179)	\$0	\$22,388,374

5. NOTE RECEIVABLE - TAP FEES

The District has signed tap agreements under which developers have agreed to purchase water and sewer taps over the next several years. The developers have secured their obligation to purchase these taps by signing irrevocable, unconditional letters-of-credit. The current portion of notes receivable for tap fees for the years ended December 31, 2014 and 2013 were \$2,194 and \$4,194, respectively.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

6. LONG-TERM DEBT

Loans payable related to construction of the District's infrastructure consist of the following loans payable to the Ohio Water Development Authority for December 31, 2014 and 2013:

OWDA Loans Payable:	2014	2013
8.05% due in semi-annual payments of \$71,302, including interest through July 2015	\$131,999	\$254,143
8.07% due in semi-annual payments of \$134,051, including interest through July 2015	247,994	477,558
7.50% due in semi-annual payments of \$12,431, including interest through July 2015	23,128	44,642
7.50% due in semi-annual payments of \$15,361, including interest through July 2015	28,581	55,166
7.21% due in semi-annual payments of \$12,396, including interest through July 2018	83,579	101,083
7.14% due in semi-annual payments of \$7,170, including interest through July 2018	48,414	58,572
6.51% due in semi-annual payments of \$9,856, including interest through January 2022	119,979	131,153
6.18% due in semi-annual payments of \$2,367, including interest through July 2022	29,188	31,947
5.88% due in semi-annual payments of \$9,785, including interest through January 2023	127,952	139,328
5.66% due in semi-annual payments of \$16,119, including interest through January 2025	249,932	267,055
5.56% due in semi-annual payments of \$22,440, including interest through January 2025	353,359	377,577
5.77% due in semi-annual payments of \$9,067, including interest through January 2025	141,330	150,894
5.85% due in semi-annual payments of \$7,797, including interest through January 2021	82,280	92,465
6.72% due in semi-annual payments of \$25,478, including interest through January 2021	261,164	292,465
6.16% due in semi-annual payments of \$18,861, including interest through January 2020	171,391	196,979
6.41% due in semi-annual payments of \$4,667, including interest through January 2027	79,450	83,497
6.39% due in semi-annual payments of \$12,930, including interest through January 2027	220,344	231,583
6.39% due in semi-annual payments of \$3,383, including interest through July 2027	59,145	61,994
6.39% due in semi-annual payments of \$12,877, including interest through January 2027	219,435	230,628
6.03% due in semi-annual payments of \$64,884, including interest through January 2027	1,127,951	1,187,019
6.03% due in semi-annual payments of \$15,454, including interest through January 2027	268,654	282,723
6.03% due in semi-annual payments of \$10,084, including interest through January 2027	175,305	184,485
6.03% due in semi-annual payments of \$17,014, including interest through January 2027	295,768	311,256
5.15% due in semi-annual payments of \$3,230, including interest through July 2028	63,879	66,930

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

6. LONG-TERM DEBT - CONTINUED

	2014	2013
OWDA Loans Payable:		
4.40% due in semi-annual payments of \$56,999, including interest through July 2028	\$1,182,167	\$1,242,163
4.66% due in semi-annual payments of \$32,573, including interest through July 2029	697,465	729,002
3.77% due in semi-annual payments of \$27,569 Including interest through July 2021	336,472	377,754
Total	6,826,305	7,660,061
Less current maturities	(890,157)	(833,756)
Noncurrent OWDA loans payable	\$5,936,148	\$6,826,305

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Amount Due Within One Year
O.W.D.A.	\$7,660,061	\$0	\$833,756	\$6,826,305	\$890,157
Rural Development	4,467,800	0	62,900	4,404,900	65,600
PNC Financial Corp	720,000	0	160,000	560,000	160,000
	\$12,847,861	\$0	\$1,056,656	\$11,791,205	\$1,115,757

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Amount Due Within One Year
O.W.D.A.	\$8,441,066	\$0	\$781,005	\$7,660,061	\$833,756
Rural Development	4,528,000	0	60,200	4,467,800	62,900
PNC Financial Corp	880,000	0	160,000	720,000	160,000
	\$13,849,066	\$0	\$1,001,205	\$12,847,861	\$1,056,656

Maturities of the District's debt for the years subsequent to December 31, 2014 are as follows:

	OWDA Loans			Rural Development Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$890,157	\$382,132	\$1,272,289	\$65,600	\$192,714	\$258,314
2016	484,380	321,621	806,001	68,500	189,844	258,344
2017	511,816	294,184	806,000	71,600	186,848	258,448
2018	540,848	265,225	806,073	74,600	183,715	258,315
2019	532,452	231,461	763,913	77,900	180,451	258,351
2020-2024	2,447,294	755,366	3,202,660	443,600	848,063	1,291,663
2025-2029	1,419,358	145,683	1,565,041	549,600	742,137	1,291,737
2030-2034	0	0	0	680,800	610,930	1,291,730
2035-2039	0	0	0	843,300	448,390	1,291,690
2040-2044	0	0	0	1,044,800	247,043	1,291,843
2045-2046	0	0	0	484,600	32,032	516,632
Total	\$6,826,305	\$2,395,672	\$9,221,977	\$4,404,900	\$3,862,167	\$8,267,067

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

6. LONG-TERM DEBT - CONTINUED

	PNC Financial Corp			Total		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$160,000	\$22,672	\$182,672	\$1,115,757	\$597,518	\$1,713,275
2016	160,000	15,696	175,696	712,880	527,161	1,240,041
2017	160,000	8,720	168,720	743,416	489,752	1,233,168
2018	80,000	1,744	81,744	695,448	450,684	1,146,132
2019	0	0	0	610,352	411,912	1,022,264
2020-2024	0	0	0	2,890,894	1,603,429	4,494,323
2025-2029	0	0	0	1,968,958	887,820	2,856,778
2030-2034	0	0	0	680,800	610,930	1,291,730
2035-2039	0	0	0	843,300	448,390	1,291,690
2040-2044	0	0	0	1,044,800	247,043	1,291,843
2045-2046	0	0	0	484,600	32,032	516,632
Total	\$560,000	\$48,832	\$608,832	\$11,791,205	\$6,306,671	\$18,097,876

*The District receives an interest rate subsidy for some of its loans over the remaining life of the Ohio Water Development Authority loans. This reduction in interest is reflected in the interest column of this schedule.

During 2006, the District issued \$4,840,000 in Rural Development Water Resource Revenue Bonds to retire an Ohio Water Development Authority loan. The terms of the bonds are an interest rate of 4.375% with a maturity date of 2046.

During 2007, the District obtained a PNC Financial Corp loan in the amount of \$1,600,000 for the purpose of Blacklick sanitary sewer improvements. The terms of the loan are an interest rate of 4.36% with a maturity date of 2018.

In connection with the mortgage revenue bonds and Ohio Water Development Authority loans, 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 bonds and loans are payable, through their final maturities, solely from net revenues applicable to its fund. The combined principal and interest remaining to be paid on these bonds and loans as of December 31, 2014 and 2013 are \$8,267,067 and \$8,525,433 and \$9,221,977 and \$10,494,262, respectively. The coverage ratios at December 31, 2014 and 2013 were 1.30 and 1.31, respectively.

7. CAPITAL CONTRIBUTIONS

Donated Developer Lines

Donated developer sewer and water lines are shown on the face of the financial statements as capital contributions – donated lines. The District had capital contributions of \$285,652 for 2014 and \$0 for 2013.

8. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- 1) The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan.

8. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) - CONTINUED

- 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- 3) The Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.

The member contribution rates for 2014, 2013, and 2012 were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications.

The employer contribution rates were 14.0%, 14.0%, and 14.0%, respectively, for state and local employers for the years ended December 31, 2014, 2013, and 2012 for the District.

The District's contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were \$84,401, \$90,385, and \$77,785, respectively, which were equal to 100% of the required contributions for each of those years.

9. POST-EMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System

- A. 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 healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

9. POST-EMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, 2013, and 2012, the District contributed at a rate of 14% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees 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.

- C. The employer contributions that were used to fund post-employment benefits were \$12,052 for 2014, \$6,456 for 2013, and \$22,223 for 2012, which equaled the required contributions for these years.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the 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 notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of 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, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed 10% of the District's average portfolio.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS – CONTINUED

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment purchased under section 135 of the Ohio Revised Code 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 purchased under section 6119 have no such maturity restrictions.

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

Deposits

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. 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.

The District’s deposit bank balances as of December 31, 2014 and 2013 were \$1,523,217 and \$1,408,303, respectively. The District’s balances were either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments

The District had the following investments at December 31, 2014:

Description	Fair Value	Investment Maturities			
		< 1 Year	1-2 Years	3-5 Years	>5 Years
UBS Fixed Income	\$1,127,343	\$1,127,343	-	-	-
STAR Ohio	50,667	50,667	-	-	-
US Treasury Notes	126,973	65,508	61,465	-	-
Federal Farm Credit Bank Bonds	65,666	65,666	-	-	-
Federal Home Loan Mortgage Corporation Notes	192,279	-	66,508	125,771	-
Federal National Mortgage Association Notes/Bonds	326,397	65,716	132,291	128,390	-
Well Fargo MM and Sweep Funds	51,740	51,740	-	-	-
Wells Fargo Municipal Bonds	337,107	-	58,625	232,229	46,253
Total Investments	<u>\$2,278,172</u>	<u>\$1,426,640</u>	<u>\$318,889</u>	<u>\$486,390</u>	<u>\$46,253</u>

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS – CONTINUED

The District had the following investments at December 31, 2013:

Description	Fair Value	Investment Maturities		
		< 1 Year	1-2 Years	3-5 Years
UBS Fixed Income	\$1,085,572	\$1,085,572	-	-
STAR Ohio	50,650	50,650	-	-
US Treasury Notes	66,960	-	66,960	-
Federal Farm Credit Bank Bonds	131,801	65,470	66,331	-
Federal Home Loan Mortgage Corporation Notes	130,563	65,321	-	65,242
Federal National Mortgage Association Notes/Bonds	390,442	131,692	66,426	192,324
Well Fargo MM and Sweep Funds	18,529	18,529	-	-
Wells Fargo Municipal Bonds	358,517	-	42,193	316,324
Total Investments	\$2,233,034	\$1,417,234	\$241,910	\$573,890

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no investment policy specifically dealing with interest rate risk. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no investment policy specifically dealing with credit risk. Investments in money market funds were rated AAAM by Standard & Poor’s, investments in municipal bonds were rated AAA, AA+, AA, AA-, A+, and A by Standard & Poor’s, investments in fixed income accounts were rated A by Standard & Poor’s, investments in U.S. Treasury Notes, Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Corporations Notes, and Federal National Mortgage Association Notes/Bonds were all rated AAA by Moody’s, and investments in STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. As of December 31, 2014, the District had invested 2% in money market funds, 15% in municipal bonds, 50% in fixed income, 6% in U.S. Treasury Notes, 3% in Federal Farm Credit Bank Bonds, 8% in Federal Home Loan Mortgage Corporation Notes, 14% in Federal National Mortgage Association Notes/Bonds, and 2% in STAR Ohio. As of December 31, 2013, the District had invested 1% in money market funds, 16% in municipal bonds, 49% in fixed income, 3% in U.S. Treasury Notes, 6% in Federal Farm Credit Bank Bonds, 6% in Federal Home Loan Mortgage Corporation Notes, 17% in Federal National Mortgage Association Notes/Bonds, and 2% in STAR Ohio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy specifically dealing with custodial credit risk. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Government belongs to the Public Entities Pool of Ohio (PEP, a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013 (the most recent information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

During 2014, the District contracted with the Public Entities Pool of Ohio for all property and fleet insurance, liability insurance, and inland marine coverage as follows:

Property	\$ 14,661,036
Boiler	14,661,036
Automobile Vehicle Liability (\$0 deductible)	5,000,000
Public Officials Liability	5,000,000
General Liability	5,000,000
Excess	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

There have been no significant reductions in insurance coverage from the previous year.

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the most recent information available).

	<u>2013</u>	<u>2012</u>
Assets	\$34,411,883	\$34,389,569
Liabilities	<u>(12,760,194)</u>	<u>(14,208,353)</u>
Net Position	<u>\$21,651,689</u>	<u>\$20,181,216</u>

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

11. RISK MANAGEMENT – CONTINUED

At December 31, 2013 and 2012 (the most recent information available), respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013 (the most recent information available), the Government’s share of these unpaid claim’s collectible in future years is approximately \$23,362. Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The District made payments to PEP in the amounts of \$36,912, \$34,641, and \$33,867 for the years 2014, 2013, and 2012, respectively.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

12. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 was as follows:

	Budgeted and Actual Receipts		
	Budget	Actual	Variance
2014	\$4,513,669	\$4,764,159	\$250,490
2013	4,613,515	4,753,454	139,939

	Budgeted and Actual Budgetary Basis Expenditures		
	Budget	Actual	Variance
2014	\$5,907,897	\$4,623,956	\$1,283,941
2013	5,990,671	5,407,030	583,641

13. NEW ACCOUNTING PRINCIPLES

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined; while the precise impact is not known, it is deemed likely that this pronouncement would have a material impact on the District. The provisions of this statement will be effective for the fiscal year ending December 31, 2015, and therefore will be adopted in the next fiscal year.

Jefferson Water and Sewer District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

14. INFORMATION BY SEGMENT

The District maintains two segments which provide water and sewer services. Information by segment for the years ended December 31, 2014 and 2013 follows:

	2014		
	Segment		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	\$1,937,120	\$2,438,972	\$4,376,092
Tap fees	185,800	139,106	324,906
Miscellaneous income	23,672	54,009	77,681
Total Operating Revenues	<u>2,146,592</u>	<u>2,632,087</u>	<u>4,778,679</u>
OPERATING EXPENSES:			
Plant operations	528,513	1,228,855	1,757,368
Salaries and payroll related expenses	416,924	530,630	947,554
General and administration expenses	63,086	80,291	143,377
Depreciation	517,297	362,840	880,137
Total Operating Expenses	<u>1,525,820</u>	<u>2,202,616</u>	<u>3,728,436</u>
Operating Income	620,772	429,471	1,050,243
NONOPERATING INCOME AND (EXPENSES):			
Interest income	39,662	39,661	79,323
Interest expense	(461,066)	(173,738)	(634,804)
Total Nonoperating Income (Expenses)	<u>(421,404)</u>	<u>(134,077)</u>	<u>(555,481)</u>
Increase In Net Position before			
Capital Contributions	199,368	295,394	494,762
Capital Contributions - Donated Lines	67,675	217,977	285,652
Increase In Net Position	<u>\$267,043</u>	<u>\$513,371</u>	<u>\$780,414</u>
	2013		
	Segment		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	\$1,875,697	\$2,361,635	\$4,237,332
Tap fees	218,941	163,918	382,859
Miscellaneous income	30,056	68,574	98,630
Total Operating Revenues	<u>2,124,694</u>	<u>2,594,127</u>	<u>4,718,821</u>
OPERATING EXPENSES:			
Plant operations	507,860	1,180,835	1,688,695
Salaries and payroll related expenses	429,750	546,954	976,704
General and administration expenses	45,783	58,269	104,052
Depreciation	504,414	353,803	858,217
Total Operating Expenses	<u>1,487,807</u>	<u>2,139,861</u>	<u>3,627,668</u>
Operating Income	636,887	454,266	1,091,153
NONOPERATING INCOME AND (EXPENSES):			
Gain on disposal of capital asset	750	0	750
Interest income	17,870	17,869	35,739
Interest expense	(510,022)	(192,186)	(702,208)
Total Nonoperating Income (Expenses)	<u>(491,402)</u>	<u>(174,317)</u>	<u>(665,719)</u>
Increase In Net Position	<u>\$145,485</u>	<u>\$279,949</u>	<u>\$425,434</u>



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

Jefferson Water and Sewer District
Franklin County
6455 Taylor Road
Blacklick, OH 43004

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Jefferson Water and Sewer District, Franklin County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Jefferson Water and Sewer District's basic financial statements and have issued our report thereon dated May 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Jefferson Water and Sewer District

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 28, 2015



Dave Yost • Auditor of State

JEFFERSON WATER AND SEWER DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2015**