JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

OHIO AUDITOR OF STATE
KEITH FABER

JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Jefferson Water and Sewer District
Franklin County
6455 Taylor Road
Blacklick, Ohio 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 (the District), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Jefferson Water and Sewer District, Franklin County, Ohio, as of December 31, 2018 and 2017, and the respective changes in its 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.

Emphasis of Matter

As discussed in Note K to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

As discussed in Note L to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 7, 2019

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 and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2018 and 2017 by $20,892,514 and $16,980,131 respectively. The District's net position increased by $4,392,333 (26.6%) in 2018 and by $750,331 (4.6%) in 2017.

The District's operating revenues increased by $1,414,083 (25.9%) in 2018 and increased by $185,606 (3.5%) in 2017. Operating expenses (excluding depreciation expense) increased by $281,857 (6.9%) in 2018 and increased by $772,677 (23.4%) in 2017. Depreciation expense increased $107,651 (11.9%) in 2018 and decreased $38,710 (-4.1%) in 2017.

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, liabilities and deferred inflows/outflows 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, 2018. 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 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.

STATEMENTS OF NET POSITION

Table 1 summarizes 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

	2018	2017	Change	2016	Change
Current and Other Assets	$6,856,176	$6,779,520	$76,656	$5,943,185	$836,335
Capital Assets, Net	27,801,672	23,873,433	3,928,239	22,695,709	1,177,724
Total Assets	34,657,848	30,652,953	4,004,895	28,638,894	2,014,059
Deferred Outflows of Resources					
Pension	211,132	443,908	(232,776)	339,379	104,529
OPEB	41,572	0	41,572	0	0
Total Deferred Outflows of Resources	252,704	443,908	(191,204)	339,379	104,529
Long Term Liabilities	9,856,529	10,285,081	(428,552)	10,063,581	221,500
Current and Other Liabilities	3,932,119	3,816,538	115,581	2,668,623	1,147,915
Total Liabilities	13,788,648	14,101,619	(312,971)	12,732,204	1,369,415
Deferred Inflows of Resources					
Pension	190,075	15,111	174,964	16,269	(1,158)
OPEB	39,315	0	39,315	0	0
Total Deferred Inflows of Resources	229,390	15,111	214,279	16,269	(1,158)
Net Position					
Net Investment in Capital Assets	17,104,754	13,584,683	3,520,071	12,730,699	853,984
Unrestricted	3,787,760	3,395,448	392,312	3,499,101	(103,653)
Total Net Position	$20,892,514	$16,980,131	$3,912,383	$16,229,800	$750,331

The net pension liability (NPL) is the largest single liability reported by the District at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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 OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $16,980,131 to $16,500,181.

The District is presenting comparative financial statements; however, the 2017 financial statements have not been restated due to the implementation of Governmental Accounting Standards Board (GASB) 75 which relates to the recording of other post-employment benefits. The 2017 financial statements were not restated as sufficient information was not available to restate these financial statements in their entirety.

The District's net position increased by $3,912,383 (23.0%) in 2018(excluding the restatement of net position) and increased $750,331 (4.6%) in 2017.

The District's assets increased by $4,004,895 in 2018. The increase is primarily a result of an increase in investments and capital assets which was partially offset by decreases in cash and cash equivalents and prepaid expenses. The increase in capital assets is primarily a result of completed construction and water and sewer line contributions. The increase in investments is primarily a result of an excess of cash receipts over cash disbursements. The decrease in cash and cash equivalents is due to investing of monies to obtain better yields. Liabilities decreased $312,971 in 2018. This decrease is primarily due to a decrease in unearned revenue, net pension liability and long term debt, partially offset by an increase in contracts payable.

Unrestricted net position increased by $392,312 (11.6%) in 2018 (excluding the restatement of beginning net position for GASB 75 implementation for 2017). Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by $3,520,071 from 2017 to 2018 primarily due to additions of capital assets and payments on debt balances which were only partially offset by depreciation expense.

The District's assets increased by $2,014,059 in 2017. The increase is primarily a result of an increase in investments and capital assets. The increase in capital assets is primarily a result of completed construction and water and sewer line contributions. The increase in investments is primarily a result of an excess of cash receipts over cash disbursements. Liabilities increased $1,369,415 in 2017. This increase is primarily due to an increase in unearned revenue, contracts payable and the net pension liability which was partially offset by principal payments on debt.

Unrestricted net position decreased by $103,653 (-3.0%) in 2017. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by $853,984 from 2016 to 2017 primarily due to additions of capital assets and payments on debt balances which were only partially offset by depreciation expense.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2018	2017	Change	2016	Change
Operating Revenues	$6,876,312	$5,462,229	$1,414,083	$5,276,623	$185,606
Total Operating Revenues	6,876,312	5,462,229	1,414,083	5,276,623	185,606
Non-Operating Revenues	188,172	152,069	36,103	177,241	(25,172)
Total Revenues	7,064,484	5,614,298	1,450,186	5,453,864	160,434
Operating Expenses					
(Excluding Depreciation)	4,357,383	4,075,526	281,857	3,302,849	772,677
Depreciation Expense	1,012,243	904,592	107,651	943,302	(38,710)
Total Operating Expenses	5,369,626	4,980,118	389,508	4,246,151	733,967
Non-Operating Expenses	459,864	424,419	35,445	561,776	(137,357)
Total Expenses	5,829,490	5,404,537	424,953	4,807,927	596,610
Capital Contributions	3,157,339	540,570	2,616,769	1,643,511	(1,102,941)
Changes in Net Position	4,392,333	750,331	3,642,002	2,289,448	(1,539,117)
Net Position at Beginning of Year*	16,500,181	16,229,800	270,381	13,940,352	2,289,448
Net Position at End of Year	$20,892,514	$16,980,131	$3,912,383	$16,229,800	$750,331

*As restated for GASB 75, see Note K for additional information.

Operating revenues increased by $1,414,083 from 2017 to 2018 which is primarily due to an increase in charges for services and tap fee.

Operating expenses increased by $389,508 from 2017 to 2018 primarily due to an increase in plant operations related expenses for sewer treatment as well as an increase in depreciation expense for additional capital assets placed into service.

Operating revenues increased by $185,606 from 2016 to 2017 which is primarily due to an increase in charges for services, tap fees and miscellaneous revenues.

Operating expenses increased by $733,967 from 2016 to 2017 primarily due to an increase in plant operations related expenses for sewer treatment.

CAPITAL ASSETS

The District had $41,572,358 and $37,626,605 invested in depreciable capital assets (before depreciation) at the end of 2018 and 2017, respectively. This amount is an increase of $3,945,753 (10.5%) from 2017 to 2018 and an increase of $2,097,188 (5.9%) from 2016 to 2017. The increase in 2018 is primarily the result of donated water and sewer lines and the completion of construction projects. The increase in 2017 is primarily the result of donated water and sewer lines and the completion of construction projects. Additional information regarding capital assets can be found in Note D to the Basic Financial Statements.

Table 3

	2018	2017	Change	2016	Change
Non-depreciable Capital Assets					
Land and land easements	$777,732	$777,732	$0	$777,732	$0
Construction in progress	1,217,059	222,330	994,729	237,202	(14,872)
Total Non-depreciable Capital Assets	1,994,791	1,000,062	994,729	1,014,934	(14,872)
Depreciable Capital Assets					
Buildings and improvements	5,341,558	5,337,811	3,747	5,277,459	60,352
Completed construction	17,953,400	17,459,593	493,807	16,001,556	1,458,037
Furniture and general equipment	3,073,898	2,812,222	261,676	2,773,993	38,229
Vehicles and accessories	262,006	232,822	29,184	232,822	0
Donated assets	14,941,496	11,784,157	3,157,339	11,243,587	540,570
Totals Before Accumulated Depreciation	41,572,358	37,626,605	3,945,753	35,529,417	2,097,188
Accumulated Depreciation	(15,765,477)	(14,753,234)	(1,012,243)	(13,848,642)	(904,592)
Net Depreciable Capital Assets	25,806,881	22,873,371	2,933,510	21,680,775	1,192,596
Total Capital Assets	$27,801,672	$23,873,433	$3,928,239	$22,695,709	$1,177,724

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

	2018	2017	Change	2016	Change
Ohio Water Development Authority (OWDA)	$5,069,844	$5,574,998	($505,154)	$5,454,210	$120,788
Rural Development	4,124,600	4,199,200	(74,600)	4,270,800	(71,600)
PNC Financial Corp	0	80,000	(80,000)	240,000	(160,000)
Total Long Term Debt	9,194,444	9,854,198	(659,754)	9,965,010	(110,812)
Less: Current Maturities	657,922	695,449	(37,527)	743,415	(47,966)
Net Total Long Term Debt	$8,536,522	$9,158,749	($622,227)	$9,221,595	($62,846)

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

CASH

Cash and cash equivalents were $2,205,315 on December 31, 2018 and $3,142,975 on December 31, 2017.

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, 2018 and 2017

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,946,867	$ 2,884,527
Investments	3,992,672	2,740,505
Accounts receivable	523,728	470,377
Inventory	18,832	59,244
Prepaid expense	50,858	230,764
Intergovernmental receivable	-	37,018
Total Current Assets	6,532,957	6,422,435
RESTRICTED ASSETS:		
Restricted cash and cash equivalents	258,448	258,448
Water assessments receivable	34,920	58,940
Sewer assessments receivable	29,851	39,697
Total Restricted Assets	323,219	357,085
CAPITAL ASSETS:		
Capital assets, not being depreciated	1,994,791	1,000,062
Capital assets, net of accumulated depreciation	25,806,881	22,873,371
Total Capital Assets	27,801,672	23,873,433
Total Assets	34,657,848	30,652,953
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	211,132	443,908
OPEB	41,572	-
Total Deferred Outflows of Resources	252,704	443,908
Total Assets and Deferred Outflows of Resources	$ 34,910,552	$ 31,096,861
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 503,529	$ 466,943
Accrued wages and benefits and withholding payroll expenses	172,012	184,183
Current portion of long term debt	657,922	695,449
Contracts payable	1,437,994	434,552
Retainage payable	64,480	-
Accrued interest payable	201,267	245,696
Customer deposits- payable	113,096	100,970
Unearned revenue	781,819	1,688,745
Total Current Liabilities	3,932,119	3,816,538
LONG TERM LIABILITIES:		
Long term debt less current portion	8,536,522	9,158,749
Net Pension Liabilities	792,247	1,126,332
Net OPEB Liabilities	527,760	-
Total Long Term Liabilities	9,856,529	10,285,081
Total Liabilities	13,788,648	14,101,619
DEFERRED INFLOWS OF RESOURCES:		
Pensions	190,075	15,111
OPEB	39,315	-
Total Deferred Inflows of Resources	229,390	15,111
NET POSITION:		
Net Investment in capital assets	17,104,754	13,584,683
Unrestricted	3,787,760	3,395,448
Total Net Position	20,892,514	16,980,131
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 34,910,552	$ 31,096,861

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 Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Charges for services	$ 4,913,726	$ 4,686,542
Tap fees	1,832,089	587,170
Miscellaneous income	130,497	188,517
Total Operating Revenues	6,876,312	5,462,229
OPERATING EXPENSES:		
Plant operations	2,767,158	2,511,739
Salaries and payroll related expenses	1,248,761	1,215,865
General and administration expenses	341,464	347,922
Depreciation	1,012,243	904,592
Total Operating Expenses	5,369,626	4,980,118
Operating Income	1,506,686	482,111
NON-OPERATING INCOME AND (EXPENSES):		
Interest income	102,340	85,547
Intergovernmental	67,158	66,522
Other Miscellaneous	18,674	-
Loss on Investments	(55,523)	-
Interest expense	(404,341)	(424,419)
Total Nonoperating Income (Expenses)	(271,692)	(272,350)
Increase In Net Position before Capital Contributions	1,234,994	209,761
Capital Contributions - Donated Lines and Pump Station	3,157,339	540,570
Increase In Net Position	4,392,333	750,331
Net Position, Beginning of Year - Restated	16,500,181	16,229,800
Net Position, End of Year	$ 20,892,514	$ 16,980,131

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 Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 5,785,538	$ 6,081,029
Cash received from other operating income	130,497	188,517
Cash payments to suppliers for goods and services	(2,851,718)	(2,816,255)
Cash payments for employee services and benefits	(1,141,724)	(1,012,192)
Net Cash Provided by Operating Activities	1,922,593	2,441,099
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer Deposits	12,126	15,190
Net Cash Provided by/(Used for) Non-Capital Financing Activities	12,126	15,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction of water and sewer projects and other capital acquistions	(719,485)	(1,107,194)
Proceeds from construction loans	56,019	632,605
Principal payments on construction loans	(715,773)	(743,417)
Interest payments on construction loans	(377,179)	(417,380)
Special assessment collections - principal	33,866	43,924
Special assessment collections - interest	7,722	10,292
Net Cash Used for Capital and Related Financing Activities	(1,714,830)	(1,581,170)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,252,167)	(2,385,486)
Sale of investments	-	1,107,273
Interest received on bank accounts	94,618	75,255
Net Cash Provided by (Used for) Investing Activities	(1,157,549)	(1,202,958)
Net Increase (Decrease) In Cash and Cash Equivalents	(937,660)	(327,839)
Cash and Cash Equivalents, Beginning of the Year	3,142,975	3,470,814
Cash and Cash Equivalents, End of the Year	$ 2,205,315	$ 3,142,975
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$ 1,506,686	$ 482,111
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	1,012,243	904,592
CHANGES IN NET ASSETS AND LIABILITIES:		
(Increase) decrease in accounts receivable	(53,351)	1,109
(Increase) decrease in prepaid expense	179,906	(33,474)
(Increase) decrease in inventory	40,412	88,922
(Increase) decrease in deferred outflows of resources - pensions	$232,776	(104,529)
(Increase) in deferred outflows of resources - OPEB	($34,686)	-
Increase (decrease) in accounts payable (operating)	36,586	(12,042)
Increase (decrease) in accrued wages and benefits and withholding payroll taxes	(12,171)	25,014
Increase (decrease) in unearned revenue	(906,926)	806,208
Increase (decrease) in net pension liability	(334,085)	284,346
Increase in OPEB liability	40,924	-
Increase (decrease) in deferred inflows of resources - pensions	174,964	(1,158)
Increase in deferred inflows of resources - OPEB	39,315	-
Total Adjustments	415,907	1,958,988
Net Cash Provided by Operating Activities	$ 1,922,593	$ 2,441,099
NONCASH TRANSACTIONS		
Donated developer lines and pump station	$ 3,157,339	$ 540,570
Intergovernmental revenue - interest subsidy	$ 71,591	$ 80,080
Interest expense - interest subsidy	$ (71,591)	$ (80,080)

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

NOTE A – 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.et.seq. of the Ohio Revised Code. The District is managed by a Board comprised of five appointed trustees.

NOTE B – 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:

1. **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.

NOTE B – 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.

2. **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, all liabilities, and all deferred inflows/outflows of resources 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.

3. **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, 2018 and 2017, 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.

4. **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.

5. **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.

6. **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.

7. **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. Buildings have an estimated useful life of 30-50 years. Water and sewer lines and related infrastructure have an estimated useful life of 25-50 years. Furniture and general equipment have an estimated useful life of 5-15 years. Vehicles and accessories have an estimated useful life of 5-7 years. 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated developer lines are stated at acquisition 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.

8. **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.

9. **Interest Expense**
Interest expense for the years ended December 31, 2018 and 2017 represents the interest portion of construction loan payments to the Ohio Water Development Authority, Rural Development, and PNC Financial Corporation in the amount of $404,341 and $424,419.

10. **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.

11. **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, 2018 and 2017 were $9 and $194, respectively.

12. **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.

13. **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.

14. **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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. **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.

16. **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. For the District these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use.

17. **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.

18. **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 G and Note H. 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. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and postemployment benefits. (See Note G and Note H)

19. **Pensions and Other Postemployment 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.

NOTE C – RECEIVABLES

Accounts receivable are presented at their net realizable value of $523,728 and $470,377 as of December 31, 2018 and 2017.

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 E) including interest rates ranging from 6.16% to 7.14% and are reported as restricted assets.

NOTE D – CAPITAL ASSETS

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

	Ending Balance at 12/31/2017	Additions	Deletions	Ending Balance at 12/31/2018
Capital Assets, Not Being Depreciated				
Land and Land Easements	$ 777,732	$ -	$ -	$ 777,732
Construction in Progress	222,330	994,729	-	1,217,059
Total Capital Assets, Not Being Depreciated	1,000,062	994,729	-	1,994,791
Capital Assets, Being Depreciated				
Buildings and Improvements	5,337,811	3,747	-	5,341,558
Water and Sewer Lines and Related Infrastucture	17,459,593	493,807	-	17,953,400
Vehicles and Accessories	232,822	29,184	-	262,006
Furniture and General Equipment	2,812,222	261,676	-	3,073,898
Donated Water and Sewer Lines	11,784,157	3,157,339	-	14,941,496
Total Capital Assets, Being Depreciated	37,626,605	3,945,753	-	41,572,358
Less Accumulated Depreciation:				
Buildings and Improvements	(2,221,512)	(142,755)	-	(2,364,267)
Water and Sewer Lines and Related Infrastucture	(7,589,672)	(441,519)	-	(8,031,191)
Vehicles and Accessories	(186,408)	(16,794)	-	(203,202)
Furniture and General Equipment	(1,773,513)	(136,549)	-	(1,910,062)
Donated Water and Sewer Lines	(2,982,129)	(274,626)	-	(3,256,755)
Total Accumulated Depreciation	(14,753,234)	(1,012,243)	-	(15,765,477)
Total Capital Assets Being Depreciated, Net	22,873,371	2,933,510	-	25,806,881
Total Capital Assets	$ 23,873,433	$ 3,928,239	$ -	$ 27,801,672

NOTE D – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2017 was as follows:

	Ending Balance at 12/31/2016	Additions	Deletions	Ending Balance at 12/31/2017
Capital Assets , Not Being Depreciated				
Land and Land Easements	$777,732	$0	$0	$777,732
Construction in Progress	237,202	747,732	(762,604)	222,330
Total Capital Assets, Not Being Depreciated	1,014,934	747,732	(762,604)	1,000,062
Capital Assets, Being Depreciated				
Buildings and Improvements	5,277,459	60,352	0	5,337,811
Water and Sewer Lines and Related Infrastucture	16,001,556	1,458,037	0	17,459,593
Vehicles and Accessories	232,822	0	0	232,822
Furniture and General Equipment	2,773,993	38,229	0	2,812,222
Donated Water and Sewer Lines	11,243,587	540,570	0	11,784,157
Total Capital Assets, Being Depreciated	35,529,417	2,097,188	0	37,626,605
Less Accumulated Depreciation:				
Buildings and Improvements	(2,078,234)	(143,278)	0	(2,221,512)
Water and Sewer Lines and Related Infrastucture	(7,182,544)	(407,128)	0	(7,589,672)
Vehicles and Accessories	(175,451)	(10,957)	0	(186,408)
Furniture and General Equipment	(1,651,821)	(121,692)	0	(1,773,513)
Donated Water and Sewer Lines	(2,760,592)	(221,537)	0	(2,982,129)
Total Accumulated Depreciation	(13,848,642)	(904,592)	0	(14,753,234)
Total Capital Assets Being Depreciated, Net	21,680,775	1,192,596	0	22,873,371
Total Capital Assets	$22,695,709	$1,940,328	($762,604)	$23,873,433

NOTE E – 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, 2018 and 2017:

OWDA Loans Payable:	2018	2017
7.21% due in semi-annual payments of $12,396, including interest through July 2018	-	23,126
7.14% due in semi-annual payments of $7,170, including interest through July 2018	-	13,378
6.51% due in semi-annual payments of $9,856, including interest through January 2022	67,518	81,899
6.18% due in semi-annual payments of $2,367, including interest through July 2022	16,335	19,843
5.88% due in semi-annual payments of $9,785, including interest through January 2023	75,350	89,648
5.66% due in semi-annual payments of $16,119, including interest through January 2025	171,187	192,528
5.56% due in semi-annual payments of $22,440, including interest through January 2025	242,040	272,199
5.77% due in semi-annual payments of $9,067, including interest through January 2025	97,141	109,148
5.85% due in semi-annual payments of $7,797, including interest through January 2021	35,226	48,011
6.72% due in semi-annual payments of $25,478, including interest through January 2021	113,458	154,061
6.16% due in semi-annual payments of $18,861, including interest through January 2020	52,270	84,771
6.41% due in semi-annual payments of $4,667, including interest through January 2027	60,451	65,659
6.39% due in semi-annual payments of $12,930, including interest through January 2027	167,601	182,056
6.39% due in semi-annual payments of $3,383, including interest through July 2027	45,772	49,437
6.39% due in semi-annual payments of $12,877, including interest through January 2027	166,909	181,304
6.03% due in semi-annual payments of $64,884, including interest through January 2027	853,242	928,154
6.03% due in semi-annual payments of $15,454, including interest through January 2027	203,224	221,067
6.03% due in semi-annual payments of $10,084, including interest through January 2027	132,610	144,253
6.03% due in semi-annual payments of $17,014, including interest through January 2027	223,734	243,377
5.15% due in semi-annual payments of $3,230, including interest through July 2028	49,995	53,735
4.40% due in semi-annual payments of $56,999, including interest through July 2028	914,280	985,684
4.66% due in semi-annual payments of $32,573, including interest through July 2029	555,733	593,651

NOTE E – LONG-TERM DEBT (Continued)

OWDA Loans Payable:	2018	2017
3.77% due in semi-annual payments of $27,569, Including interest through July 2021	155,026	202,960
2.01% due in semi-annual payments to be determined, through January 2033	664,440	635,049
2.70% due in semi-annual payments to be determined, through January 2033	6,302	-
Total	5,069,844	5,574,998
Less current maturities	(580,022)	(540,849)
Noncurrent OWDA loans payable	$4,489,822	$5,034,149

	Balance 12/31/2017*	Additions	Reductions	Balance 12/31/2018	Amount Due Within One Year
O.W.D.A.	$5,574,998	$56,019	$561,173	$5,069,844	$580,022
Rural Development	4,199,200	0	74,600	4,124,600	77,900
PNC Financial Corp	80,000	0	80,000	0	0
Net Pension Liabilities	1,126,332	0	334,085	792,247	0
Net OPEB Liabilities	486,836	40,924	0	527,760	0
	$11,467,366	$96,943	$1,049,858	$10,514,451	$657,922

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amount Due Within One Year
O.W.D.A.	$5,454,210	$632,605	$511,817	$5,574,998	$540,849
Rural Development	4,270,800	0	71,600	4,199,200	74,600
PNC Financial Corp	240,000	0	160,000	80,000	80,000
Net Pension Liabilities	841,986	284,346	0	1,126,332	0
	$10,806,996	$916,951	$743,417	$10,980,530	$695,449

*As restated for GASB 75, see Note K for additional information.

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 buy-down was credited to District payments starting with the July 1, 2016 due date and resulted in an interest subsidy in 2018 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated $254,200 of additional interest subsidies through 2029 in the following amounts annually:

Interest Subsidy	
2019	$ 58,488
2020	49,906
2021	41,617
2022	34,498
2023	27,253
2024	20,243
2025	13,072
2026	6,789
2027	1,584
2028	645
2029	105
Total	$254,200

NOTE E – LONG-TERM DEBT (Continued)

Maturities of the District's debt for the years subsequent to December 31, 2018 are as follows:

	OWDA Loans			Rural Development Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$573,318	$248,023	$821,341	$77,900	$180,451	$258,351
2020	585,407	217,473	802,880	81,300	177,043	258,343
2021	564,394	186,350	750,744	84,800	173,486	258,286
2022	504,979	157,353	662,332	88,600	169,776	258,376
2023	497,622	130,480	628,102	92,400	165,900	258,300
2024-2028	2,062,314	275,389	2,337,703	526,600	765,174	1,291,774
2029-2033	275,106	14,173	289,279	652,200	639,463	1,291,663
2034-2038	-	-	-	808,000	483,740	1,291,740
2039-2043	-	-	-	1,001,000	290,837	1,291,837
2044-2046	-	-	-	711,800	63,175	774,975
Total	$5,063,140	$1,229,241	$6,292,381	$4,124,600	$3,109,045	$7,233,645

	Total		
	Principal	Interest	Total
2019	$651,218	$428,474	$1,079,692
2020	666,707	394,516	1,061,223
2021	649,194	359,836	1,009,030
2022	593,579	327,129	920,708
2023	590,022	296,380	886,402
2024-2028	2,588,914	1,040,563	3,629,477
2029-2033	927,306	653,636	1,580,942
2034-2038	808,000	483,740	1,291,740
2039-2043	1,001,000	290,837	1,291,837
2044-2046	711,800	63,175	774,975
Total	$9,187,740	$4,338,286	$13,526,026

The District has a 2.70 % Ohio Water Development Authority loan with an outstanding balance of $6,302 which is not included in the above amortization schedule because the loan has not been finalized.

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%. The loan matured during 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, 2018 and 2017 are $7,233,645 and $7,491,961, and $6,292,381 and $6,325,914 respectively. The coverage ratios at December 31, 2018 and 2017 were 2.43 and 1.31, respectively.

NOTE F – 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 and pump stations. The District had capital contributions of $3,157,339 for 2018 and $540,570 for 2017.

NOTE G – DEFINED BENEFIT RETIREMENT PLAN

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature.

Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting https://www.opers.org/investmenst/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377. Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343.

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 01/01/13 or eligible to retire ten years after 01/01/13	Group C Members not in other Groups and members hired on or after 01/01/13
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
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	**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	**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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

Funding Policy – The Ohio Revised Code provides statutory District for member and employer contributions. For the fiscal year ended December 31, 2018, the contribution rate for members in the state and local classification remained 10 percent. The District's contribution rate for members in state and local classifications for the fiscal year ended December 31, 2018 was 14.0 percent. State statute sets a maximum contribution rate for the District of 14.0 percent.

The District's contractually required contribution to OPERS was $105,296 for fiscal year 2018 and $89,557 for 2017 respectively. Of this amount $16,654 and $14,079 were reported as a payroll related liability for 2018 and 2017 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, 2018 was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

		2018 OPERS		2017 OPERS
Proportion of the Net Pension Liability/Asset - Prior Year		0.004960%		0.004861%
Proportion of the Net Pension Liability/Asset - Current Year		0.005050%		0.004960%
Change in Proportionate Share		0.000090%		0.000099%
Proportionate Share of the Net Pension Liability	$	792,247	$	1,126,332
Pension Expense	$	178,951	$	268,216

At December 31, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		2018 OPERS		2017 OPERS
Deferred Outflows of Resources:				
Differences between expected and actual economic experience	$	809	$	1,527
Differences between projected and actual investment earnings		-		167,737
Changes of assumptions		94,679		178,650
Changes in proportion		10,348		6,437
Contributions subsequent to the measurement date		105,296		89,557
Total	$	211,132	$	443,908

		OPERS		OPERS
Deferred Inflows of Resources:				
Differences between expected and actual economic experience	$	15,613	$	6,703
Differences between projected and actual investment earnings		170,085		-
Changes in proportion		4,377		8,408
Total	$	190,075	$	15,111

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

$105,296 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. 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
Fiscal Year Ending December 31:		
2019	$	72,678
2020		(12,129)
2021		(74,896)
2022		(69,892)
	$	(84,239)

Actuarial Assumptions – OPERS

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, 2017, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

Measurement and Valuation Date	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual Entry Age
Wage Inflation	3.25 percent
Projected Salary increase	3.25 -10.75% (Traditional; 3.25% - 8.25% Combined)
Investment Rate of Return	7.50 percent
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3 percent simple Post-1/7/2013 Retirees: 3 percent simple through 2018, then 2.15% simple

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

Actuarial Assumptions – OPERS – Continued

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 following table displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$1,406,829	$792,247	$279,871

Average Remaining Service Life
GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2017, the average of the expected remaining service lives of all employees calculated by external actuaries for the Traditional Pension Plan was 2.9546 years, for the Combined Plan was 9.3216 years, and for the Member-Directed Plan was 10.1908 years.

NOTE H – DEFINED BENEFIT OPEB PLANS

Post-GASB 75 Implementation

Net Other Postemployment Benefits (OPEB) Liability

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

The net OPEB liability represents the 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 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 is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting.

Ohio Public Employees Retirement System

Plan Description – 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 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. 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 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 2017 CAFR for details.

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

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

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

Funding Policy – The Ohio Revised Code provides the statutory District 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 earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund 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 postemployment health care.

The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2017. Effective, January 2018, the portion of employer contributions allocated to health care was 0.0% for both plans, as recommended by 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 benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The District's contributions for health care for the fiscal years ended December 31, 2018, 2017 and 2016 were approximately $0, $6,886 and $13,327 respectively. The full amount has been contributed for fiscal years 2018, 2017 and 2016.

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

The net OPEB liability reported as of December 31, 2018 was measured as of December 31, 2017 for OPERS and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2018 OPERS
Proportion of the Net OPEB Liability/Asset - Prior Year	0.004820%
Proportion of the Net OPEB Liability/Asset - Current Year	0.004860%
Change in Proportionate Share	-0.000040%
Proportionate Share of the Net OPEB Liability	$ 527,760
Pension Expense	$ 45,553

NOTE H - DEFINED BENEFIT OPEB PLANS – Continued

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

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

	2018 OPERS
Deferred Outflows of Resources:	
Differences between expected and actual economic experience	$ 411
Changes of assumptions	38,427
Changes in proportion	2,734
Total	$ 41,572

	OPERS
Deferred Inflows of Resources:	
Differences between projected and actual investment earnings	$ 39,315
Total	$ 39,315

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.

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

	OPERS
Fiscal Year Ending December 31:	
2019	$ 10,047
2020	10,047
2021	(8,009)
2022	(9,828)
	$ 2,257

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions - PERS

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. Refer to the following table for the balances as of December 31, 2017. Additional information on the changes in net OPEB liability and contribution information can be found in the Required Supplementary Information of the Financial Section in OPERS 2017 CAFR.

Actuarial valuations of an ongoing plan involve estimates of the value 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 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, 2016, rolled forward to the measurement date of December 31, 2017.

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:

Actuarial Valuation Date	December 31, 2016
Rolled-Forward Measurement Dated	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Assumptions	
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028

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

The 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 table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	4.98

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

Discount Rate

A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

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

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
District's proportionate share of the net OPEB liability	$701,152	$527,760	$387,488

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$504,954	$527,760	$551,318

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

Postemployment Benefits Pre-GASB 75 Implementation

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

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) 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/financial /reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 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 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, 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%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

Substantially all of the District's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was $6,886, $13,327 and $12,353, respectively. The full amount has been contributed for 2017, 2016 and 2015.

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. 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 though 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.

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (Continued)

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 Treasurer, 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 bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018 and 2017, respectively, $1,435,258 and $1,711,846 of the District's bank balances of $2,213,272 and $3,184,370 were exposed to custodial credit risk because those deposits were uninsured and collateralized. 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).

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

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.

Investments The District had the following investments at December 31, 2018:

		Investment Maturities			
Description	Fair Value	< 1 Year	1-2 Years	3-5 Years	>5 Years
UBS Fixed Income	$ 681,699	$ 681,699	$ -	$ -	$ -
UBS Municipal Bonds	442,829	55,732	52,529	143,216	191,352
Star Ohio	52,553	52,553	-	-	-
Raymond James Fixed Income	342,812	149,514	-	193,298	-
Federal Farm Credit Bank Bonds	68,689	-	-	68,689	-
Federal Home Loan Bank Bonds	50,038	-	-	50,038	-
Federal Home Loan Mortgage Corporation Notes	49,273	-	-	49,273	-
Federal National Mortgage Association Notes/Bonds	97,997	-	97,997	-	-
U.S. Treasury Notes	399,264	399,264	-	-	-
LPL Heartland Fixed Income	700,000	700,000	-	-	-
LPL Heartland Mutual Funds	226,223	226,223	-	-	-
LPL Heartland ETF	881,295	881,295	-	-	-
Total Investments	$ 3,992,672	$3,146,280	$ 150,526	$ 504,514	$ 191,352

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (continued)

The District had the following investments at December 31, 2017:

		Investment Maturities			
Description	Fair Value	< 1 Year	1-2 Years	3-5 Years	>5 Years
UBS Fixed Income	$ 700,513	$ 700,513	$ -	$ -	$ -
UBS Municipal Bonds	437,666	29,770	52,340	149,041	206,515
Star Ohio	51,539	51,539	-	-	-
Raymond James Fixed Income	498,323	149,892	149,232	199,199	-
Federal Farm Credit Bank Bonds	68,939	-	-	68,939	-
Federal Home Loan Mortgage Corporation Notes	99,457	-	-	99,457	-
Federal National Mortgage Association Notes/Bonds	98,227	-	-	98,227	-
Infinex Fixed Income	586,161	586,161	-	-	-
Infinex Mutual Funds	251,219	251,219	-	-	-
Total Investments	$ 2,792,044	$ 1,769,094	$ 201,572	$ 614,863	$ 206,515

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of December 31, 2018. All investments of the District are valued using quoted market prices (Level 1 inputs).

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 it 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 Federal Home Loan Mortgage Corporations Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, Federal National Mortgage Association Notes/Bonds, and US Treasury Notes were all rated Aaa by Moody's, investments in Heartland ETF's were rated A by MSCI ESG, 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, 2018, the District had invested 22% in exchange traded funds, 43% in fixed income funds, 11% in municipal bonds, 10% in government bonds/notes, 2% in Federal Farm Credit Bank bonds, 1% in Federal Home Loan Bank bonds, 1% in Federal Home Loan Mortgage notes/bonds, 3% in Federal National Mortgage Corporation notes/bonds, 6% in mutual funds and 1% in STAR Ohio. As of December 31, 2017, the District had invested 64% in fixed income funds, 16% in municipal bonds, 2% in Federal Farm Credit Bank Bonds, 4% in Federal Home Loan Mortgage Corporation notes/bonds, 3% 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.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District 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 Insurance Services Group, 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, 2018, the District contracted for the following insurance coverage:

Property	$ 16,806,352
General Liability	5,000,000
Public Officials	5,000,000
Automobile	5,000,000
Employee Benefit Liability	1,000,000

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 District.

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 most recent financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 and 2016:

	2017	2016
Assets	$44,452,326	$42,182,281
Liabilities	(13,004,011)	(13,396,700)
Net Position	$31,448,315	$28,785,581

At December 31, 2017 and 2016, respectively, the liabilities above include approximately $11.8 million and $12.0 million of estimated incurred claims payable. The assets above also include approximately $11.2 million and $11.5 million of unpaid claims to be billed. The Pool's membership increased from 520 members in 2016 to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017 and 2016 respectively, the District's share of these unpaid claims collectible in future years was approximately $27,000 and $26,000.

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.

NOTE J – RISK MANAGEMENT (continued)

Contributions to PEP	
2018	2017
$44,362	$42,854

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.

NOTE K – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2018, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017.*

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the District and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, January 1, 2018 - As previously stated	$16,980,131
District's Share of Beginning Plan Net OPEB Liability	(486,836)
District's Share of 2017 Employer Contributions	6,886
Net position, January 1, 2018 - As restated	$16,500,181

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the District.

NOTE L – RESTATEMENT OF PRIOR YEAR PURCHASE AND SALE OF INVESTMENT

In accordance with Government Accounting Standards Board (GASB) Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds And Governmental Entities That Use Proprietary Fund Accounting,* the December 31, 2017 Statement of Cash Flows was restated to gross-up purchase and sale of investment activity, previously presented at net.

Cash Flows from Investing Activities

Purchase of Investments - As Previously Stated	$	(1,278,213)	Sale of Investments - As Previously Stated	$	-
Gross-Up Sale of Investment		(1,107,273)	Gross-Up Sale of Investment		1,107,273
Purchase of Investments - Restated	$	(2,385,486)	Sale of Investments - Restated	$	1,107,273

NOTE M – INFORMATION BY SEGMENT

The District maintains two segments which provide water and sewer services. Information by segment for the years ended December 31, 2018 and 2017 is as follows:

2018 SEGMENT	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$2,163,611	$2,750,115	$4,913,726
Tap fees	559,078	1,273,011	1,832,089
Miscellaneous income	50,127	80,370	130,497
Total Operating Revenues	2,772,816	4,103,496	6,876,312
OPERATING EXPENSES:			
Plant operations	582,647	2,184,511	2,767,158
Salaries and payroll related expenses	549,854	698,907	1,248,761
General and administration expenses	153,346	188,118	341,464
Depreciation	706,665	305,578	1,012,243
Total Operating Expenses	1,992,512	3,377,114	5,369,626
Operating Income	780,304	726,382	1,506,686
NONOPERATING INCOME AND (EXPENSES):			
Interest income	51,170	51,170	102,340
Intergovernmental	46,993	20,165	67,158
Other Miscellaneous	9,337	9,337	18,674
Loss on Investments	(27,761)	(27,762)	(55,523)
Interest expense	(282,278)	(122,063)	(404,341)
Total Nonoperating Income (Expenses)	(202,539)	(69,153)	(271,692)
Increase In Net Position before Capital Contributions	577,765	657,229	1,234,994
Capital Contributions - Donated Lines	1,272,548	1,884,791	3,157,339
Increase In Net Position	$1,850,313	$2,542,020	$4,392,333

2017 SEGMENT	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$2,083,270	$2,603,272	$4,686,542
Tap fees	252,000	335,170	587,170
Miscellaneous income	80,655	107,862	188,517
Total Operating Revenues	2,415,925	3,046,304	5,462,229
OPERATING EXPENSES:			
Plant operations	629,337	1,882,402	2,511,739
Salaries and payroll related expenses	540,479	675,386	1,215,865
General and administration expenses	157,690	190,232	347,922
Depreciation	575,513	329,079	904,592
Total Operating Expenses	1,903,019	3,077,099	4,980,118
Operating Income (Loss)	512,906	(30,795)	482,111
NONOPERATING INCOME AND (EXPENSES):			
Interest income	42,774	42,773	85,547
Intergovernmental	34,080	32,442	66,522
Interest expense	(270,021)	(154,398)	(424,419)
Total Nonoperating Income (Expenses)	(193,167)	(79,183)	(272,350)
Increase (Decrease) In Net Position before Capital Contributions	319,739	(109,978)	209,761
Capital Contributions - Donated Lines	301,738	238,832	540,570
Increase In Net Position	$621,477	$128,854	$750,331

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson Water and Sewer District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System

Last Five Years (1)

	2017	2016	2015	2014	2013
Total plan pension liability	$ 102,273,912,351	$99,817,932,954	$91,534,580,978	$89,017,348,266	$86,407,229,435
Plan net position	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	$ 15,688,061,327	$22,708,299,469	$17,321,260,626	$12,061,117,624	$11,788,697,166
District's proportion of the net pension liability	0.005050%	0.004960%	0.004861%	0.004710%	0.004710%
District's proportionate share of the net pension liability	$ 792,247	$ 1,126,332	$ 841,986	$ 568,079	$ 555,248
District's covered-employee payroll	$ 688,900	$ 666,142	$ 617,425	$ 577,408	$ 595,946
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	115.00%	169.08%	136.37%	98.38%	93.17%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.
Amounts presented as of the District's measurement
date which is the prior fiscal year.

Jefferson Water and Sewer District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 105,296	$ 89,557	$ 79,937	$ 74,091	$ 69,289	$ 77,473	$ 55,561	$ 50,484	$ 43,775	$ 36,966
Contributions in relation to the contractually required contribution	(105,296)	(89,557)	(79,937)	(74,091)	(69,289)	(77,473)	(55,561)	(50,484)	(43,775)	(36,966)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 752,114	$ 688,900	$ 666,142	$ 617,425	$ 577,408	$ 595,946	$ 555,610	$ 504,840	$ 500,286	$ 476,981
Contributions as a percentage of covered employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%

Notes to Required Supplementary Information - Pension

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2017.

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

Jefferson Water and Sewer District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Two Years (1)

	2018	**2017**
Total plan OPEB liability	$ 23,678,097,060	$ 21,980,827,536
Plan net position	12,818,833,665	11,880,487,863
Net OPEB liability	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00486000%	0.00482000%
District's proportionate share of the net OPEB liability	$ 527,760	$ 486,836
District's covered-employee payroll	$ 688,900	$ 666,142
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	76.61%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

(1) Information prior to 2017 is not available.
Amounts presented as of the District's measurement
date which is the prior fiscal year.

Jefferson Water and Sewer District

Required Supplementary Information

Schedule of the District's OPEB Contributions

Ohio Public Employees Retirement System

Last Three Years (1)

	2018	2017	2016
Contractually required contribution	$ -	$ 6,886	$ 13,323
Contributions in relation to the contractually required contribution	-	(6,886)	(13,323)
Contribution deficiency (excess)	$ -	$ -	$ -
District covered-employee payroll	$ 752,114	$ 688,900	$ 666,142
Contributions as a percentage of covered-employee payroll	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2017.

Changes of Assumptions (OPERS): The single discount rate changed from 4.23% to 3.85%.

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OHIO AUDITOR OF STATE
KEITH FABER

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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, Ohio 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, (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 7, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* We further noted the District restated the 2017 financial statements to correct a misstatement.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

August 7, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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
SEPTEMBER 10, 2019