JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

MARK D. WILLIAMS, CONTROLLER

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Jefferson Water and Sewer District, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

July 26, 2016

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JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY

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Julian & Grube, Inc.
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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, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Jefferson Water and Sewer District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Jefferson Water and Sewer District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Jefferson Water and Sewer 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Water and Sewer District, Franklin County, Ohio as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended December 31, 2015, the Jefferson Water and Sewer District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. We did not modify our opinion regarding 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 liabilities and pension 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 June 14, 2016 on our consideration of the Jefferson Water and Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jefferson Water and Sewer District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 14, 2016

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, 2015 and 2014 by $13,940,352 and $14,263,251, respectively. The District's net position increased by $163,060 (1.2%) in 2015 and by $780,414 (5.8%) in 2014.

The District's operating revenues decreased by $171,350 (-3.6%) in 2015 and increased by $59,858 (1.3%) in 2014. Operating expenses (excluding depreciation expense) increased by $596,047 (20.9%) in 2015 and increased by $78,848 (2.8%) in 2014. Depreciation expense increased $2,686 (0.3%) in 2015 and increased $21,920 (2.6%) in 2014.

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 or 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, 2015 and 2014. 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 the statements of net position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in capital assets" are capital assets less outstanding debt that was used to acquire those assets.

Table 1

	2015	2014	Change	2013	Change
Current and Other Assets	$4,398,623	$4,869,386	($470,763)	$4,755,129	$114,257
Capital Assets, Net	21,656,439	21,984,395	(327,956)	22,388,374	(403,979)
Total Assets	26,055,062	26,853,781	(798,719)	27,143,503	(289,722)
Deferred Outflows of Resources					
Pension	104,402	0	104,402	0	0
Total Deferred Outflows of Resources	104,402	0	104,402	0	0
Long Term Liabilities	10,530,645	10,675,448	(144,803)	11,791,202	(1,115,754)
Current and Other Liabilities	1,678,487	1,915,082	(236,595)	1,869,464	45,618
Total Liabilities	12,209,132	12,590,530	(381,398)	13,660,666	(1,070,136)
Deferred Inflows of Resources					
Pension	9,980	0	9,980	0	0
Total Deferred Inflows of Resources	9,980	0	9,980	0	0
Net Position					
Net Investment in Capital Assets	10,980,992	10,193,190	787,802	9,540,513	652,677
Unrestricted	2,959,360	4,070,061	(1,110,701)	3,942,324	127,737
Total Net Position	$13,940,352	$14,263,251	($322,899)	$13,482,837	$780,414

* - The difference between total net position between 2015 and 2014 does not agree to the Table 2 change in net position since the 2014 balance above was not restated for GASB 68 and GASB 71.

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system 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 pension system is responsible for the administration of the plan. 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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. As a result of implementing GASB 68 and GASB 71, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation had the effect of restating net position at January 1, 2015, from $14,263,251 to $13,777,292. It is important to note that the comparative statements in the accompanying financial statements for 2014 have not been restated for the effects of implementing GASB 68 and GASB 71.

The District's assets decreased by $798,719 in 2015. The decrease is primarily a result of a decrease in capital asset, cash and cash equivalents and investments. The decrease in capital assets is primarily a result of current year depreciation in excess of additions. The decrease in cash and cash equivalents and investments is primarily a result of an excess of cash disbursements over cash receipts. Liabilities decreased $381,398 in 2015. This decrease is primarily due to principal payments on debt, which was partially offset by an increase to accounts payable and the net pension liability.

Unrestricted net position (excluding the restatement of beginning net position for GASB 68 and GASB 71 implementation) decreased by $1,110,701 in 2015. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by $787,802 from 2014 to 2015 primarily due to additions of capital assets and payments on debt balances which were only partially offset by an increase in depreciation expense.

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2015	2014	Change	2013	Change
Operating Revenues	$4,607,329	$4,778,679	($171,350)	$4,718,821	$59,858
Total Operating Revenues	4,607,329	4,778,679	(171,350)	4,718,821	59,858
Operating Expenses					
(Excluding Depreciation)	3,444,346	2,848,299	596,047	2,769,451	78,848
Depreciation Expense	882,823	880,137	2,686	858,217	21,920
Total Operating Expenses	4,327,169	3,728,436	598,733	3,627,668	100,768
Operating Income	280,160	1,050,243	(770,083)	1,091,153	(40,910)
Non-Operating Revenues	76,644	79,323	(2,679)	36,489	42,834
Non-Operating Expenses	(564,552)	(634,804)	70,252	(702,208)	67,404
Capital Contributions	370,808	285,652	85,156	0	285,652
Changes in Net Position	163,060	780,414	(617,354)	425,434	354,980
Net Position at Beginning of Year - As Restated	13,777,292	13,482,837	294,455	13,057,403	425,434
Net Position at End of Year	$13,940,352	$14,263,251	($322,899)	$13,482,837	$780,414

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of $72,349 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $62,023.

Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	$4,327,169
Pension expense under GASB 68	(62,023)
2015 contractually required contribution	74,091
Adjusted 2015 operating expenses	4,339,237
Total 2014 operating expenses under GASB 27	3,728,436
Increase in operating expenses not related to pension	$610,801

Operating revenues decreased by $171,350 from 2014 to 2015 which is primarily due to a decrease in charges for services and tap fees.

Operating expenses increased by $598,733 from 2014 to 2015 primarily due to an increase in plant operations related expenses for sewer treatment costs and capital recovery fees to the City of Columbus. It was discovered in 2015 that meters were not working properly and needed to be recalibrated.

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

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

CAPITAL ASSETS

The District had $33,642,412 and $33,247,677 invested in depreciable capital assets (before depreciation) at the end of 2015 and 2014, respectively. This amount is an increase of $394,735 (1.2%) from 2014 to 2015 and an increase of $447,187 (1.4%) from 2013 to 2014. The increase in 2015 is primarily the result of donated water and sewer lines. The increase in 2014 is primarily the result of completed construction projects and the addition of donated water and sewer lines.

Table 3

	2015	2014	Change	2013	Change
Non-depreciable Capital Assets					
Land and land easements	$671,076	$671,076	$0	$671,076	$0
Construction in progress	265,050	104,918	160,132	75,947	28,971
Total Non-depreciable Capital Assets	936,126	775,994	160,132	747,023	28,971
Depreciable Capital Assets					
Buildings and improvements	5,277,459	5,270,703	6,756	5,268,802	1,901
Completed construction	15,813,262	15,807,860	5,402	15,666,294	141,566
Furniture and general equipment	2,755,302	2,743,532	11,770	2,725,464	18,068
Vehicles and accessories	196,313	196,313	0	196,313	0
Donated assets	9,600,076	9,229,269	370,807	8,943,617	285,652
Totals Before Accumulated Depreciation	33,642,412	33,247,677	394,735	32,800,490	447,187
Accumulated Depreciation	(12,922,099)	(12,039,276)	(882,823)	(11,159,139)	(880,137)
Net Depreciable Capital Assets	20,720,313	21,208,401	(488,088)	21,641,351	(432,950)
Total Capital Assets	$21,656,439	$21,984,395	($327,956)	$22,388,374	($403,979)

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

	2015	2014	Change	2013	Change
Ohio Water Development Authority (OWDA)	$5,936,147	$6,826,305	($890,158)	$7,660,061	($833,756)
Rural Development	4,339,300	4,404,900	(65,600)	4,467,800	(62,900)
PNC Financial Corp	400,000	560,000	(160,000)	720,000	(160,000)
Total Long Term Debt	10,675,447	11,791,205	(1,115,758)	12,847,861	(1,056,656)
Less: Current Maturities	712,881	1,115,757	(402,876)	1,056,659	59,098
Net Total Long Term Debt	$9,962,566	$10,675,448	($712,882)	$11,791,202	($1,115,754)

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

CASH

Cash and cash equivalents were $1,447,517 on December 31, 2015 and $1,625,257 on December 31, 2014.

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, 2015

(With Comparative Amounts for 2014)

	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	$1,189,069	$1,366,809
Investments	2,039,091	2,175,765
Accounts receivable	441,818	516,836
Inventory	229,994	274,925
Prepaid expense	43,775	41,599
Intergovernmental receivable	9,477	9,477
Current portion of notes receivable - tap fees	2,194	2,194
Total Current Assets	3,955,418	4,387,605
RESTRICTED ASSETS:		
Restricted cash and cash equivalents	258,448	258,448
Water assessments receivable	123,750	153,419
Sewer assessments receivable	61,007	69,914
Total Restricted Assets	443,205	481,781
CAPITAL ASSETS:		
Capital assets, not being depreciated	936,126	775,994
Capital assets, net of accumulated depreciation	20,720,313	21,208,401
Total Capital Assets	21,656,439	21,984,395
Total Assets	26,055,062	26,853,781
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	104,402	0
Total Assets and Deferred Outflows of Resources	$26,159,464	$26,853,781
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$447,764	$241,324
Accrued wages and benefits and withholding payroll expenses	149,584	138,502
Current portion of long term debt	712,881	1,115,757
Accrued interest payable	284,059	319,305
Customer deposits- payable	84,199	100,194
Total Current Liabilities	1,678,487	1,915,082
LONG TERM LIABILITIES:		
Long term debt less current portion	9,962,566	10,675,448
Net Pension Liabilities	568,079	0
Total Long Term Liabilities	10,530,645	10,675,448
Total Liabilities	12,209,132	12,590,530
DEFERRED INFLOWS OF RESOURCES:		
Pensions	9,980	0
NET POSITION:		
Net Investment in capital assets	10,980,992	10,193,190
Unrestricted	2,959,360	4,070,061
Total Net Position	13,940,352	14,263,251
Total Liabilities, Deferred Inflows of Resources and Net Position	$26,159,464	$26,853,781

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

Jefferson Water and Sewer District

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2015

(With Comparative Amounts for 2014)

	2015	2014
OPERATING REVENUES:		
Charges for services	$4,305,287	$4,376,092
Tap fees	173,650	324,906
Miscellaneous income	128,392	77,681
Total Operating Revenues	4,607,329	4,778,679
OPERATING EXPENSES:		
Plant operations	2,321,829	1,757,368
Salaries and payroll related expenses	966,985	947,554
General and administration expenses	155,532	143,377
Depreciation	882,823	880,137
Total Operating Expenses	4,327,169	3,728,436
Operating Income	280,160	1,050,243
NONOPERATING INCOME AND (EXPENSES):		
Interest income	76,644	79,323
Interest expense	(564,552)	(634,804)
Total Nonoperating Income (Expenses)	(487,908)	(555,481)
Increase (Decrease) In Net Position before Capital Contributions	(207,748)	494,762
Capital Contributions - Donated Lines	370,808	285,652
Increase In Net Position	163,060	780,414
Net Position, Beginning of Year, As Restated - See Note 13	13,777,292	13,482,837
Net Position, End of Year	$13,940,352	$14,263,251

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

Jefferson Water and Sewer District

Statements of Cash Flows

For the Year Ended December 31, 2015

(With Comparative Amounts for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$4,566,786	$4,659,271
Cash received from other operating income	128,392	77,681
Cash payments to suppliers for goods and services	(2,263,279)	(1,860,230)
Cash payments for employee services and benefits	(945,923)	(945,198)
Net Cash Provided by Operating Activities	1,485,976	1,931,524
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer Deposits - Payable	(15,995)	26,354
Net Cash Provided by Non-Capital Financing Activities	(15,995)	26,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction of water and sewer projects and other capital acquistions	(184,060)	(190,506)
Principal payments on construction loans	(1,115,757)	(1,056,656)
Interest payments on construction loans	(599,798)	(667,958)
Special assessment collections - principal	38,576	41,891
Special assessment collections - interest	16,170	18,604
Net Cash Used for Capital and Related Financing Activities	(1,844,869)	(1,854,625)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	136,674	(11,910)
Interest received on bank accounts	60,474	60,719
Net Cash Provided by (Used for) Investing Activities	197,148	48,809
Net Increase (Decrease) In Cash and Cash Equivalents	(177,740)	152,062
Cash and Cash Equivalents, Beginning of the Year	1,625,257	1,473,195
Cash and Cash Equivalents, End of the Year	$1,447,517	$1,625,257
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$280,160	$1,050,243
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	882,823	880,137
CHANGES IN NET ASSETS AND LIABILITIES:		
(Increase)/Decrease in accounts receivable	75,018	(43,727)
(Increase) in prepaid expense	(2,176)	(7,272)
Decrease in inventory	44,931	56,823
Decrease in notes receivable	0	2,000
(Increase) in deferred outflows of resources - pensions	(35,113)	0
Increase/(Decrease) in accounts payable (operating)	206,440	(9,036)
Increase in accrued wages and benefits and withholding payroll taxes	11,082	2,356
Increase in net pension liability	12,831	0
Increase in deferred inflows of resources - pensions	9,980	0
Total Adjustments	1,205,816	881,281
Net Cash Provided by Operating Activities	$1,485,976	$1,931,524

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

1. NATURE OF ORGANIZATION

Jefferson Water and Sewer District (the "District") was created by the Court of Common Pleas of Franklin County to provide water and sewer services to the residents of Jefferson Township in accordance with the provisions of section 6119.et.seq. of the Ohio Revised Code. The District is managed by a Board comprised of five appointed trustees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

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

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

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

<u>Basis of Presentation – Fund Accounting</u>
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:

<u>Proprietary Fund Type</u> – 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Measurement Focus and Basis of Accounting
The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, 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.

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, 2015 and 2014, 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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Interest Expense
Interest expense for the years ended December 31, 2015 and 2014 represents the interest portion of construction loan payments to the Ohio Water Development Authority, Rural Development, and PNC Financial Corporation in the amount of $564,552 and $634,804.

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

Board Designated Cash Fund
The Board of Trustees allocates $1,500 each year, via resolution, for expenditures to be designated by the Trustees. This procedure is in accordance with the Ohio Revised Code. Board discretionary expenditures for the years ended December 31, 2015 and 2014 were $0.

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

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

Net Position
Net position represents the difference between assets 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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 (expenses) until then. The District recorded a deferred outflow of resources for pensions. The deferred outflows of resources related to the pension are explained in Note 8. 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. (See Note 8)

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

Comparative Information
The District has presented comparative financial statements in the accompanying financial statements. Since the District implemented GASB 68 and GASB 71 for fiscal year 2015, the 2014 financial statements are presented for comparative purposes, but have not been restated for GASB 68 and GASB 71 since information was not available to restate fiscal year 2014.

3. RECEIVABLES

Accounts receivable are presented at their net realizable value of $441,818 and $516,836 as of December 31, 2015 and 2014.

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

4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2015 was as follows:

	Ending Balance at 12/31/2014	Additions	Deletions	Ending Balance at 12/31/2015
Capital Assets and Land Easements, Not Being Depreciated				
Land and Land Easements	$671,076	$0	$0	$671,076
Construction in Progress	104,918	160,132	0	265,050
Total Capital Assets, Not Being Depreciated	775,994	160,132	0	936,126
Capital Assets, Being Depreciated				
Buildings and Improvements	5,270,703	6,756	0	5,277,459
Water and Sewer Lines and Related Infrastucture	15,807,860	5,402	0	15,813,262
Vehicles and Accessories	196,313	0	0	196,313
Furniture and General Equipment	2,743,532	11,770	0	2,755,302
Donated Water and Sewer Lines	9,229,269	370,807	0	9,600,076
Total Capital Assets, Being Depreciated	33,247,677	394,735	0	33,642,412
Less Accumulated Depreciation:				
Buildings and Improvements	(1,792,227)	(143,484)	0	(1,935,711)
Water and Sewer Lines and Related Infrastucture	(6,371,310)	(406,676)	0	(6,777,986)
Vehicles and Accessories	(175,615)	(8,629)	0	(184,244)
Furniture and General Equipment	(1,391,520)	(132,412)	0	(1,523,932)
Donated Water and Sewer Lines	(2,308,604)	(191,622)	0	(2,500,226)
Total Accumulated Depreciation	(12,039,276)	(882,823)	0	(12,922,099)
Total Capital Assets Being Depreciated, Net	21,208,401	(488,088)	0	20,720,313
Total Capital Assets	$21,984,395	($327,956)	$0	$21,656,439

4. CAPITAL ASSETS - CONTINUED

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

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

5. NOTE RECEIVABLE - TAP FEES

The District has signed tap agreements under which developers have agreed to purchase water and sewer taps over the next several years. The developers have secured their obligation to purchase these taps by signing irrevocable, unconditional letters-of-credit. The current portion of notes receivable for tap fees for the years ended December 31, 2015 and 2014 were $2,194.

6. LONG-TERM DEBT

Loans payable related to construction of the District's infrastructure consist of the following loans payable to the Ohio Water Development Authority for December 31, 2015 and 2014:

OWDA Loans Payable:	2015	2014
8.05% due in semi-annual payments of $71,302, including interest through July 2015	$ 0	$131,999
8.07% due in semi-annual payments of $134,051, including interest through July 2015	0	247,994
7.50% due in semi-annual payments of $12,431, including interest through July 2015	0	23,128
7.50% due in semi-annual payments of $15,361, including interest through July 2015	0	28,581
7.21% due in semi-annual payments of $12,396, including interest through July 2018	64,814	83,579
7.14% due in semi-annual payments of $7,170, including interest through July 2018	37,531	48,414
6.51% due in semi-annual payments of $9,856, including interest through January 2022	108,077	119,979
6.18% due in semi-annual payments of $2,367, including interest through July 2022	26,258	29,188
5.88% due in semi-annual payments of $9,785, including interest through January 2023	115,906	127,952
5.66% due in semi-annual payments of $16,119, including interest through January 2025	231,841	249,932
5.56% due in semi-annual payments of $22,440, including interest through January 2025	327,775	353,359
5.77% due in semi-annual payments of $9,067, including interest through January 2025	131,207	141,330
5.85% due in semi-annual payments of $7,797, including interest through January 2021	71,500	82,280
6.72% due in semi-annual payments of $25,478, including interest through January 2021	227,758	261,164
6.16% due in semi-annual payments of $18,861, including interest through January 2020	144,224	171,390
6.41% due in semi-annual payments of $4,667, including interest through January 2027	75,140	79,450
6.39% due in semi-annual payments of $12,930, including interest through January 2027	208,375	220,344
6.39% due in semi-annual payments of $3,383, including interest through July 2027	56,110	59,145
6.39% due in semi-annual payments of $12,877, including interest through January 2027	207,515	219,435
6.03% due in semi-annual payments of $64,884, including interest through January 2027	1,065,267	1,127,951
6.03% due in semi-annual payments of $15,454, including interest through January 2027	253,724	268,654
6.03% due in semi-annual payments of $10,084, including interest through January 2027	165,563	175,305
6.03% due in semi-annual payments of $17,014, including interest through January 2027	279,331	295,768
5.15% due in semi-annual payments of $3,230, including interest through July 2028	60,668	63,879

6. LONG-TERM DEBT - CONTINUED

OWDA Loans Payable:	2015	2014
4.40% due in semi-annual payments of $56,999, including interest through July 2028	$1,119,502	$1,182,167
4.66% due in semi-annual payments of $32,573, including interest through July 2029	664,442	697,465
3.77% due in semi-annual payments of $27,569 Including interest through July 2021	293,619	336,472
Total	5,936,147	6,826,304
Less current maturities	(484,381)	(890,157)
Noncurrent OWDA loans payable	$5,451,766	$5,936,147

	Balance 12/31/2014 *	Additions	Reductions	Balance 12/31/2015	Amount Due Within One Year
O.W.D.A.	$6,826,304	$0	$890,157	$5,936,147	$484,381
Rural Development	4,404,900	0	65,600	4,339,300	68,500
PNC Financial Corp	560,000	0	160,000	400,000	160,000
Net Pension Liabilities	555,248	12,831	0	568,079	0
	$12,346,452	$12,831	$1,115,757	$11,243,526	$712,881

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

* - As restated – See Note 13

Maturities of the District's debt for the years subsequent to December 31, 2015 are as follows:

	OWDA Loans			Rural Development Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	$484,381	$321,621	$806,002	$68,500	$189,844	$258,344
2017	511,816	294,184	806,000	71,600	186,848	258,448
2018	540,848	265,153	806,001	74,600	183,715	258,315
2019	532,452	234,417	766,869	77,900	180,451	258,351
2020	543,307	204,700	748,007	81,300	177,043	258,343
2021-2025	2,351,010	604,808	2,955,818	463,100	828,656	1,291,756
2026-2030	972,333	76,888	1,049,221	573,600	718,092	1,291,692
2031-2035	0	0	0	710,600	581,145	1,291,745
2036-2040	0	0	0	880,200	411,495	1,291,695
2041-2045	0	0	0	1,090,300	201,333	1,291,633
2046	0	0	0	247,600	10,831	258,431
Total	$5,936,147	$2,001,771	$7,937,918	$4,339,300	$3,669,453	$8,008,753

6. LONG-TERM DEBT - CONTINUED

	PNC Financial Corp			Total		
	Principal	Interest	Total	Principal	Interest	Total
2016	$160,000	$15,696	$175,696	$712,881	$527,161	$1,240,042
2017	160,000	8,720	168,720	743,416	489,752	1,233,168
2018	80,000	1,744	81,744	695,448	450,612	1,146,060
2019	0	0	0	610,352	414,868	1,025,220
2020	0	0	0	624,607	381,743	1,006,350
2021-2025	0	0	0	2,814,110	1,433,464	4,247,574
2026-2030	0	0	0	1,545,933	794,980	2,340,913
2031-2035	0	0	0	710,600	581,145	1,291,745
2036-2040	0	0	0	880,200	411,495	1,291,695
2041-2045	0	0	0	1,090,300	201,333	1,291,633
2046	0	0	0	247,600	10,831	258,431
Total	$400,000	$26,160	$426,160	$10,675,447	$5,697,384	$16,372,831

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

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

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

In connection with the mortgage revenue bonds and Ohio Water Development Authority loans, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds and loans are payable, through their final maturities, solely from net revenues applicable to its fund. The combined principal and interest remaining to be paid on these bonds and loans as of December 31, 2015 and 2014 are $8,008,753 and $8,267,067 and $7,937,918 and $9,221,977, respectively. The coverage ratios at December 31, 2015 and 2014 were 0.78 and 1.30, respectively.

7. CAPITAL CONTRIBUTIONS

Donated Developer Lines

Donated developer sewer and water lines are shown on the face of the financial statements as capital contributions – donated lines. The District had capital contributions of $370,808 for 2015 and $285,652 for 2014.

8. DEFINED BENEFIT RETIREMENT PLAN

Fiscal Year 2015 Required Disclosure

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had a significant effect on beginning net position as reported December 31, 2014, as more fully described in Note 13. The net pension liability has been disclosed below. The net pension liability reported on the statement of net position represents a liability to employees for pensions.

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred. The net 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 the 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. The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

8. DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Fiscal Year 2015 Required Disclosure – Continued

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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.

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution to OPERS was $74,091 in fiscal year 2015.

8. DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Fiscal Year 2015 Required Disclosure – Continued

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, 2015 was measured as of December 31, 2014, 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:

	OPERS
Proportionate Share of the Net Pension Liability	0.004710%
Proportion of the Net Pension Liability	$568,079
Pension Expense	$62,023

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**OPERS**
Differences between expected and actual economic experience	$30,311
District contributions subsequent to the measurement date	74,091
Total	$104,402

Deferred Inflows of Resources	**OPERS**
Differences between projected and actual investment earnings	$9,980
Total	$9,980

$74,091 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS
2016	$5,083
2017	5,083
2018	5,083
2019	5,082
Total	$20,331

8. DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Fiscal Year 2015 Required Disclosure – Continued

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

8. DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Fiscal Year 2015 Required Disclosure – Continued

Actuarial Assumptions – OPERS - Continued

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2014	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	

Discount Rate
The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	$1,045,102	$568,079	$166,310

8. DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Fiscal Year 2014 Required Disclosure

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

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan. The member contribution rates were 10.0% for 2014, 2013, and 2012 for the District. The employer contribution rates were 14.0% for 2014, 2013, and 2012 of covered payroll for the District.

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

9. POSTEMPLOYMENT BENEFITS

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

   OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

9. POSTEMPLOYMENT BENEFITS - CONTINUED

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

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

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. Employer's contributions are expressed as a percentage of the earnable salary of active members. In 2015, the District contributed at 14.0% of earnable salary for local government employer units. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar years 2015 and 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. The employer contributions that were used to fund post-employment benefits were $12,353 for 2015, $12,052 for 2014, and $6,456 for 2013, which were equal to the required contributions for those years.

D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan which commenced January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS

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

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

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

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS - CONTINUED

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

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

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

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and

9. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed 10% of the District's average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment purchased under section 135 of the Ohio Revised Code must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments purchased under section 6119 have no such maturity restrictions.

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS - CONTINUED

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

Deposits

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

The District's deposit bank balances as of December 31, 2015 and 2014 were $1,224,143 and $1,523,217, respectively. The District's balances were either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments

The District had the following investments at December 31, 2015:

		Investment Maturities			
Description	Fair Value	< 1 Year	1-2 Years	3-5 Years	>5 Years
UBS Fixed Income	$1,133,606	$1,133,606	-	-	-
STAR Ohio	50,721	50,721	-	-	-
US Treasury Notes	121,753	60,288	61,465	-	-
Federal Home Loan Mortgage Corporation Notes	195,381	65,553	60,210	69,618	-
Federal National Mortgage Association Notes/Bonds	390,867	130,553	65,254	195,060	-
Well Fargo MM and Sweep Funds	52,172	52,172	-	-	-
Wells Fargo Municipal Bonds	340,493	-	85,479	208,084	46,930
Total Investments	$2,284,993	$1,492,893	$272,408	$472,762	$46,930

10. DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS – CONTINUED

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

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

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 U.S. Treasury Notes, Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Corporations Notes, and Federal National Mortgage Association Notes/Bonds were all rated AAA by Moody's, and investments in STAR Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. As of December 31, 2015, the District had invested 2% in money market funds, 15% in municipal bonds, 50% in fixed income, 5% in U.S. Treasury Notes, 9% in Federal Home Loan Mortgage Corporation Notes, 17% in Federal National Mortgage Association Notes/Bonds, and 2% in STAR Ohio. As of December 31, 2014, the District had invested 2% in money market funds, 15% in municipal bonds, 50% in fixed income, 6% in U.S. Treasury Notes, 3% in Federal Farm Credit Bank Bonds, 8% in Federal Home Loan Mortgage Corporation Notes, 14% in Federal National Mortgage Association Notes/Bonds, and 2% in STAR Ohio.

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.

11. 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, 2015, PEP retained $350,000 for casualty claims and $100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective 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 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, 2014 and 2015:

	2014	2015
Assets	$35,402,177	$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	$23,038,920	$25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and $11.5 million of estimated incurred claims payable. The assets above also include approximately $10.8 million and $11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District's share of these unpaid claims collectible in future years is approximately $25,000

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.

11. RISK MANAGEMENT - CONTINUED

Contributions to PEP	
2014	2015
$36,912	$39,205

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

12. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 was as follows:

Budgeted and Actual Receipts			
	Budget	Actual	Variance
2015	$4,657,173	$5,040,865	$383,692
2014	4,513,669	4,764,159	250,490

Budgeted and Actual Budgetary Basis Expenditures			
	Budget	Actual	Variance
2015	$6,771,613	$5,325,691	$1,445,922
2014	5,907,897	4,623,956	1,283,941

13. CHANGES IN ACCOUNTING PRINCIPLES

For 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68."

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability

13. CHANGES IN ACCOUNTING PRINCIPLES - CONTINUED

The impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position as of January 1, 2015.

Net position, January 1, 2015-As previously stated	$14,263,251
District Share of Beginning Plan Net Pension Liability	(555,248)
District Share of 2014 Employer Contributions	69,289
Net position, January 1, 2015-As restated	$13,777,292

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

14. SUBSEQUENT EVENT

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 rate to 4.00%. The buy-down will be credited to District payments starting with the July 1, 2016 due dates and will result in an estimated interest savings of $526,529 over the remaining lives of the loans.

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15. INFORMATION BY SEGMENT

The District maintains two segments which provide water and sewer services. Information by segment for the years ended December 31, 2015 and 2014 follows:

2015 Segment	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$1,894,326	$2,410,961	$4,305,287
Tap fees	103,500	70,150	173,650
Miscellaneous income	56,493	71,899	128,392
Total Operating Revenues	2,054,319	2,553,010	4,607,329
OPERATING EXPENSES:			
Plant operations	566,760	1,755,069	2,321,829
Salaries and payroll related expenses	425,473	541,512	966,985
General and administration expenses	68,434	87,098	155,532
Depreciation	518,876	363,947	882,823
Total Operating Expenses	1,579,543	2,747,626	4,327,169
Operating Income (Loss)	474,776	(194,616)	280,160
NONOPERATING INCOME AND (EXPENSES):			
Interest income	38,322	38,322	76,644
Interest expense	(423,322)	(141,230)	(564,552)
Total Nonoperating Income (Expenses)	(385,000)	(102,908)	(487,908)
Increase (Decrease) In Net Position before Capital Contributions	89,776	(297,524)	(207,748)
Capital Contributions - Donated Lines	154,112	216,696	370,808
Increase (Decrease) In Net Position	$243,888	($80,828)	$163,060

2014 Segment	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$1,937,120	$2,438,972	$4,376,092
Tap fees	185,800	139,106	324,906
Miscellaneous income	23,672	54,009	77,681
Total Operating Revenues	2,146,592	2,632,087	4,778,679
OPERATING EXPENSES:			
Plant operations	528,513	1,228,855	1,757,368
Salaries and payroll related expenses	416,924	530,630	947,554
General and administration expenses	63,086	80,291	143,377
Depreciation	517,297	362,840	880,137
Total Operating Expenses	1,525,820	2,202,616	3,728,436
Operating Income	620,772	429,471	1,050,243
NONOPERATING INCOME AND (EXPENSES):			
Interest income	39,662	39,661	79,323
Interest expense	(461,066)	(173,738)	(634,804)
Total Nonoperating Income (Expenses)	(421,404)	(134,077)	(555,481)
Increase In Net Position before Capital Contributions	199,368	295,394	494,762
Capital Contributions - Donated Lines	67,675	217,977	285,652
Increase In Net Position	$267,043	$513,371	780,414

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 Two Years (1)

	2014	2013
Total plan pension liability	$ 89,017,348,266	$ 86,407,229,435
Plan net position	76,956,230,642	74,618,532,269
Net pension liability	12,061,117,624	11,788,697,166
District's proportion of the net pension liability	0.004710%	0.004710%
District's proportionate share of the net pension liability	$ 568,079	$ 555,248
District's covered-employee payroll	$ 577,408	$ 595,946
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.40%	93.17%
Plan fiduciary net position as a percentage of the total pension liability	86.50%	86.40%

(1) Information prior to 2013 is not available

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 74,091	$ 69,289	$ 77,473	$ 55,561	$ 50,484	$ 43,775	$ 36,966	$ 33,952	$ 37,734	$ 42,216
Contributions in relation to the contractually required contribution	(74,091)	(69,289)	(77,473)	(55,561)	(50,484)	(43,775)	(36,966)	(33,952)	(37,734)	(42,216)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 617,425	$ 577,408	$ 595,946	$ 555,610	$ 504,840	$ 500,286	$ 476,981	$ 485,029	$ 451,904	$ 442,052
Contributions as a percentage of covered employee payroll	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%	7.00%	8.35%	9.55%

Julian & Grube, Inc.
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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, Ohio as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Jefferson Water and Sewer District's basic financial statements and have issued our report thereon dated June 14, 2016, wherein we noted as discussed in Note 13, the Jefferson Water and Sewer District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Jefferson Water and Sewer District

Compliance and Other Matters

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

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
June 14, 2016

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Dave Yost · Auditor of State

JEFFERSON WATER AND SEWER DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2016

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