ALLEN WATER DISTRICT
ALLEN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OHIO AUDITOR OF STATE
KEITH FABER

ALLEN WATER DISTRICT
ALLEN COUNTY
DECEMBER 31, 2019 AND 2018

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OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Allen Water District
Allen County
3230 North Cole Street
Lima, Ohio 45801

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Allen Water District, Allen County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Allen Water District, Allen County, Ohio, as of December 31, 2019 and 2018, and the respective changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note N to the December 31, 2019 and 2018 financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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

Other Matters

Comparative Financial Statements

The accompanying statement of net position of the Allen Water District, Allen County, Ohio, as of December 31, 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended were not audited, reviewed, or compiled by us, and accordingly, we do not express an opinion or any other form of assurance on them.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

September 3, 2020

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2019 by $13,632,210 and on December 31, 2018 by $13,647,668. The District's net position decreased by ($15,458) (.1%) in 2019 and decreased by $76,374 (.6%) in 2018.

The District's operating revenues increased by $100,664 (9.1%) in 2019 and by $32,588 (3.0%) in 2018. Operating expenses increased by $165,876 (12.7%) in 2019 and increased by $82,656 (6.8%) in 2018.

During 2019, the District issued $73,083 in new debt and paid $491,904 in principal on outstanding debt. The District also had $726,422 in capital asset additions during 2019.

During 2018, the District did not issue any new debt and paid $670,580 in principal on outstanding debt. The District also had $168,959 in capital asset additions during 2018.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special 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. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

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," represents capital assets less outstanding debt that was used to acquire those assets.

(Table 1)
Net Position

	2019	2018	Difference	2017	Difference
Current and Other Assets	$ 4,326,919	$ 4,691,488	$ (364,569)	$ 5,035,287	$ (343,799)
Capital Assets, Net	12,936,182	12,987,532	(51,350)	13,213,801	(226,269)
Total Assets	17,263,101	17,679,020	(415,919)	18,249,088	(570,068)
Pensions	82,024	52,766	29,258	18,481	34,285
OPEB	17,441	8,219	9,222	-	8,219
Total Deferred Outflows of Resources	99,465	60,985	38,480	18,481	42,504
Long Term Liabilities	2,648,083	2,866,884	(218,801)	3,271,158	(404,274)
Current and Other Liabilities	628,082	750,899	(122,817)	782,240	(31,341)
Total Liabilities	3,276,165	3,617,783	(341,618)	4,053,398	(435,615)
Pensions	2,150	16,915	(14,765)	200	16,715
OPEB	197	3,478	(3,281)	-	3,478
Unearned Special Assessments	451,844	454,161	(2,317)	454,161	-
Total Deferred Inflows of Resources	454,191	474,554	(20,363)	454,361	20,193
Net Investment in Capital Assets	10,043,010	9,614,221	428,789	9,305,670	308,551
Unrestricted	3,589,200	4,033,447	(444,247)	4,454,140	(420,693)
Total Net Position	**$ 13,632,210**	**$ 13,647,668**	**$ (15,458)**	**$ 13,759,810**	**$ (112,142)**

The net pension liability (NPL) is a liability reported by the District at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment liability (OPEB) is a liability reported by the District at December 31, 2019 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

The District's net position decreased by $15,458 (.1%) in 2019 and decreased by $76,374 (.6%) in 2018. The decrease in 2019 is primarily due to operating expenses exceeding operating revenues. This decrease was partially offset by capital contributions from special assessments during 2019. Current and other assets decreased primarily due to decreases in special assessments from payments made in 2019. Long-term liabilities decreased primarily due to payments for the retirement of debt during 2019.

The decrease in 2018 is primarily a result of implementing GASB 75. This decrease was partially offset by an increase in district fee payments received during 2018. Long-term liabilities decreased primarily due to payments related to the retirement of debt during 2018. Cash increased primarily due to an increase in collection of accounts receivable and an increase in accounts payable in 2018.

Unrestricted net position decreased by $444,247 from 2018 to 2019 and decreased by $420,693 from 2017 to 2018. Cash and cash equivalents decreased by $104,818 as cash disbursements exceeded cash receipts during 2019. Cash and cash equivalents increased by $297,886 as cash receipts exceeded cash disbursements during 2018. Assessments receivable decreased by $256,151 from 2018 to 2019 due to payments received on outstanding balances from customers which was partially offset by new special assessments during 2019. Assessments receivable decreased by $577,619 from 2017 to 2018 due to payments received on outstanding balances from customers. Capital assets decreased $51,350 with depreciation expense exceeding the addition of construction in progress and capital assets put into service during 2019. Capital Assets increased $168,167 with the addition of construction in progress which exceeded depreciation expense during 2018.

STATEMENTS OF CHANGES IN NET POSITION

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

(Table 2)
Changes in Net Position

	2019	2018	Difference	2017	Difference
Operating Revenues	$ 1,209,610	$ 1,108,946	$ 100,664	$ 1,076,358	$ 32,588
Operating Expenses (Excluding Deprecation)	1,069,835	909,211	160,624	827,153	82,058
Depreciation	399,687	394,435	5,252	393,837	598
Total Operating Expenses	1,469,522	1,303,646	165,876	1,220,990	82,656
Operating (Loss)	(259,912)	(194,700)	(65,212)	(144,632)	(50,068)
Non-Operating Revenues	265,996	289,304	(23,308)	307,018	(17,714)
Non-Operating Expenses	(134,145)	(170,978)	36,833	(218,663)	47,685
Capital Contributions	112,603	-	112,603	160,172	(160,172)
Changes in Net Position	(15,458)	(76,374)	60,916	103,895	(180,269)
Net Position at Beginning of Year	13,647,668	13,724,042	(76,374)	13,655,915	68,127
Net Position at End of Year	**$ 13,632,210**	**$ 13,647,668**	**$ (15,458)**	**$ 13,759,810**	**$ (112,142)**

Operating revenues increased $100,664 from 2018 to 2019 primarily due to an increase in contract fee revenues. Operating expenses, exclusive of depreciation, increased $160,624 primarily due to increases in contract fees expense, personnel costs, and pension/OPEB expenses from the previous year. Contract fees expense increased as a direct result of increased contract fees revenue received. Personnel costs increased due to the addition of a part-time position and compensation increases in 2019. Pension and OPEB expenses increased due to changes in pension and OPEB from the prior year. Interest income decreased due to less interest from decreasing special assessment receivable balances. Capital permit fees and supplemental charges decreased due to less users connecting to the system. Interest expense decreased due to decreasing balances of OWDA loans payable. Capital contributions increased due to capital contributions of special assessments during 2019.

Operating revenues increased $32,588 from 2017 to 2018 primarily due to an increase in contract fee revenues. Operating expenses, exclusive of depreciation, increased $82,058 primarily due to increases in contract fees expense, personnel costs, and pension/OPEB expenses from the previous year. Contract fees expense increased as a direct result of increased contract fees revenue received. Personnel costs increased as a full year of a full-time position was realized in 2018 which had not been the case in 2017. Pension and OPEB expenses increased due to changes in pension and OPEB from the prior year. Interest income decreased $9,700 due to less interest from decreasing special assessment receivable balances. Capital permit fees and supplemental charges increased $13,883 due to users connecting to the system. Interest expense decreased $44,896 due to decreasing balances of OWDA loans payable. Capital contributions decreased $160,172 due there being no intergovernmental capital contributions of assets occurring during 2018.

CAPITAL ASSETS

The District had $20,244,658 invested in capital assets (before depreciation) at the end of 2019. This amount increased from 2019 by $348,337 primarily due to water line additions and an increase in construction in progress. The District had $12,936,182 invested in net capital assets (after depreciation) at the end of 2019. This amount is a decrease of $51,350 (0.40%) from the previous year and is primarily due to depreciation expense which was partially offset by additions.

The District had $19,896,321 invested in capital assets (before depreciation) at the end of 2018. This amount increased from 2017 by $168,167 primarily due to construction in progress. The District had $12,987,532 invested in net capital assets (after depreciation) at the end of 2018. This amount is a decrease of $226,269 (1.71%) from 2017 due to depreciation expense.

(Table 3)
Capital Assets at December 31

	2019	2018	2017
Land Easements	$ 7,186	$ 7,186	$ 7,186
Construction in Progress	283,720	173,766	22,018
Water Lines	19,942,328	19,706,638	19,691,867
Office Furniture & Equipment	11,424	8,731	7,083
Totals Before Accumulated Depreciation	20,244,658	19,896,321	19,728,154
Accumulated Depreciation	(7,308,476)	(6,908,789)	(6,514,353)
Net Capital Assets	**$12,936,182**	**$12,987,532**	**$13,213,801**

Additional information regarding capital assets can be found in Note H to the basic financial statements.

DEBT

The District issues long term debt to finance much of its construction. The District typically levies special assessments on the benefiting property owners and then generally obtains Ohio Water Development Authority Loans (OWDA) to finance these water line projects. The special assessment collections are generally received over a twenty-five year period (with some exceptions) and such collections are used to assist in paying the debt service on the OWDA Loans and the Local Government Innovation Fund (LGIF) Loan. Additional information regarding debt can be found in Note I to the basic financial statements.

(Table 4)
Outstanding Debt, at December 31

	2019	2018	2017
OWDA Loans	$ 2,308,198	$ 2,687,377	$ 3,317,957
LGIF Loan	237,844	277,844	317,844
Rotary Commission Loans	270,013	272,330	272,330
Total Long Term Debt	2,816,055	3,237,551	3,908,131
Less			
Current Maturities	404,372	489,527	670,581
Net Long Term Debt	$ 2,411,683	$ 2,748,024	$ 3,237,550

CASH

Cash and cash equivalents on December 31, 2019 were $1,346,293 on December 31, 2018 were $1,451,111.

OTHER SIGNIFICANT INFORMATION

As described in Note N on page 42 of this report, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Merle Miller, Treasurer, Allen Water District, 3230 North Cole Street, Lima, Ohio 45801 or (419) 996-4679.

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Allen Water District
Allen County, Ohio

Statements of Net Position
As of December 31, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 9	$ 9
Equity in County Treasury	1,346,284	1,451,102
Accounts receivable	91,152	94,781
Prepaid insurance	1,642	1,613
Total current assets	1,439,087	1,547,505
NONCURRENT ASSETS:		
Capital Assets:		
Land easements	7,186	7,186
Construction in Progress	283,720	173,766
Water lines	19,942,328	19,706,638
Office furniture and equipment	11,424	8,731
	20,244,658	19,896,321
Less: Accumulated depreciation	(7,308,476)	(6,908,789)
Net capital assets	12,936,182	12,987,532
Other Assets:		
Assessments receivable	2,824,797	3,080,948
Planning costs	63,035	63,035
Total other assets	2,887,832	3,143,983
TOTAL ASSETS	**$ 17,263,101**	**$ 17,679,020**
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	82,024	52,766
OPEB	17,441	8,219
TOTAL DEFERRED OUTFLOWS OF RESOURCES	99,465	60,985
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 17,362,566**	**$ 17,740,005**

(Continued)

Allen Water District
Allen County, Ohio

Statements of Net Position - Continued
As of December 31, 2019 and 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2019	2018
CURRENT LIABILITIES:		
Accounts payable	$ 136,900	$ 123,420
Contracts payable	77,117	129,605
Accrued payroll and related liabilities	3,130	-
Vacation and personal leave accrual	6,563	2,192
Retainage payable	-	6,155
Loans payable - current portion	404,372	489,527
Total current liabilities	628,082	750,899
LONG-TERM LIABILITIES:		
Net pension liabilities	163,780	72,165
Net OPEB liabilities	72,620	46,695
Loans payable	2,411,683	2,748,024
Total long-term liabilities	2,648,083	2,866,884
TOTAL LIABILITIES	3,276,165	3,617,783
DEFERRED INFLOWS OF RESOURCES:		
Pensions	2,150	16,915
OPEB	197	3,478
Unearned special assessments	451,844	454,161
TOTAL DEFERRED INFLOWS OF RESOURCES	454,191	474,554
NET POSITION:		
Net investment in capital assets	10,043,010	9,614,221
Unrestricted	3,589,200	4,033,447
TOTAL NET POSITION	13,632,210	13,647,668
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 17,362,566**	**$ 17,740,005**

See accompanying notes to the basic financial statements.

Allen Water District
Allen County, Ohio

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
District fees	$ 389,980	$ 382,697
Contract fees revenue	819,630	726,249
Total operating revenues	1,209,610	1,108,946
OPERATING EXPENSES:		
Office wages	77,302	54,484
Contract fees expense	819,630	726,249
Trustee fees	28,679	27,846
Payroll taxes/Health Insurance/Workers compensation	18,350	16,829
PERS/Pension/OPEB expense	74,801	38,483
Membership fees and continuing education	487	-
Engineering fees	2,600	2,715
Legal fees	9,995	7,542
Accounting fees	13,200	9,350
Audit fees	-	4,018
Insurance	3,543	3,486
Office supplies	998	5,115
Office rent	17,500	12,000
Public relations	543	587
Easement rent	522	507
Depreciation	399,687	394,435
Miscellaneous	1,685	-
Total operating expenses	1,469,522	1,303,646
Operating loss	**$ (259,912)**	**$ (194,700)**

(Continued)

Allen Water District
Allen County, Ohio

Statements of Revenues, Expenses and Changes in Net Position - Continued
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating loss	$ (259,912)	$ (194,700)
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental	27,609	40,113
Interest income	207,147	182,439
Capital permit fees and supplemental charges	30,989	66,614
Interest expense	(134,145)	(170,978)
Miscellaneous revenue	251	138
Net nonoperating revenues (expenses)	131,851	118,326
Changes in net position before capital contributions	(128,061)	(76,374)
Capital contributions - special assessments	112,603	-
Total Capital Contributions	112,603	-
Changes in net position	(15,458)	(76,374)
Net position, beginning of year - restated	13,647,668	13,724,042
Net position, end of year	**$ 13,632,210**	**$ 13,647,668**

See accompanying notes to the basic financial statements.

Allen Water District
Allen County, Ohio

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 390,869	$ 400,029
Cash received from contract fee revenues	822,370	748,264
Cash payments to suppliers for goods and services	(856,765)	(734,439)
Cash payments for employee services and benefits	(117,317)	(108,925)
Net cash provided by operating activities	239,157	304,929
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other income	251	138
Net cash provided by noncapital financing activities	251	138
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital permit fees	30,989	66,614
Intergovernmental	-	-
OWDA principal payments	(451,904)	(630,580)
OWDA interest payments	(106,536)	(130,866)
LGIF loan principal payment	(40,000)	(40,000)
Special assessments collections	356,610	577,619
Special assessment interest income	207,147	182,439
Proceeds from OWDA loan	73,083	-
Capital outlay	(413,615)	(32,407)
Net cash provided by capital and related financing activities	(344,226)	(7,181)
Net increase (decrease) in cash and cash equivalents	(104,818)	297,886
Cash and cash equivalents at beginning of year	1,451,111	1,153,225
Cash and cash equivalents at end of year	**$ 1,346,293**	**$ 1,451,111**

(Continued)

Allen Water District
Allen County, Ohio

Statements of Cash Flows - Continued
For the Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (259,912)	$ (194,700)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	399,687	394,435
Pension expense adjustments not affecting cash	61,379	20,988
OPEB expense adjustments not affecting cash	13,422	6,186
Changes in Assets and Liabilities:		
Decrease in accounts receivable	3,629	39,347
(Increase) decrease in prepaid insurance	(29)	(6)
Increase (decrease) in accounts payable (operating)	13,480	37,136
Increase (decrease) in accrued payroll and related liabilities	3,130	-
Increase in vacation and personal leave accrual	4,371	1,543
Total adjustments	499,069	499,629
Net cash provided by operating activities	**$ 239,157**	**$ 304,929**
NON-CASH TRANSACTIONS:		
Special assessments	$ 92,391	$ -
Intergovernmental revenue - interest subsidy	$ 27,609	$ 64,838
Interest expense - interest subsidy	$ (27,609)	$ (64,838)

See accompanying notes to the basic financial statements.

NOTE A – NATURE OF ORGANIZATION

The Allen Water District, hereafter referred to as "the District," was created by the Court of Common Pleas of Allen County in accordance with the provisions of Section 6119.et.seq of the Ohio Revised Code to provide water services to the residents of Bath, American, Perry, Shawnee, Monroe, Auglaize, Jackson, and Amanda Townships. A seven (7) member appointed Board of Trustees manage the Allen Water District. The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 government units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

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

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

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

2. **Basis of Accounting and Measurement Focus**
Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the District conform to accounting policies generally accepted in the United States of America.

For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

3. **Budgetary Process**
The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2019 and 2018, and has adopted and passed annual appropriations resolutions.

Appropriations – For the years ended December 31, 2019 and 2018, budgetary expenditures could not exceed appropriations at the levels of operating expenditures, direct project expenditures, debt payments, capital expenditures, contract expense, and private development expense and, within each, the amount appropriated for personal service. The District must annually approve appropriation measures and subsequent amendments. For both years, appropriations may not exceed estimated resources.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

4. **Cash and Investments**
The Allen County Treasurer is the custodian for the District's cash and investments. The County's cash and investment pool holds the District's cash and investments, which are reported at the County Treasurer's carrying amount. Deposit and investment disclosures for Allen County as a whole may be obtained from the Allen County Treasurer, Evalyn Shaffner, 301 N Main St., Suite 203, Lima, OH 45801 or (419) 223-8515.

5. **Accounts Receivable**
Accounts receivable consist of District fees charged to customers and are shown at their net realizable value.

6. **Special Assessments Receivable/Unearned Special Assessments**
Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances are deferred agricultural property assessments. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a deferred inflow of resources account that is called unearned special assessments. The time frame of collection is undeterminable. New special assessments levied on customers are recorded as capital contributions – special assessments in the accompanying financial statements as such assets are used to construct capital assets.

7. **Prepaid Expenses**
Payments made to vendors for services that will benefit periods beyond December 31, 2019 and 2018 are recorded as prepaid items using the consumption method. A current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

8. **Capital Assets**
Capital assets are stated at cost and are depreciated over the estimated useful lives of the assets from five to fifty years, depending on the type of asset. Equipment is generally depreciated over five to seven years while water lines are generally depreciated over fifty years. Donated assets are reported at their estimated acquisition value on the date donated. In addition, interest costs incurred during the construction of the water system infrastructure are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins. Prior to 2004, the District recorded the purchase of all assets as capital assets. Since 2004, the District has maintained a capital asset threshold of $500.

   Depreciation is computed using the straight-line method for financial reporting purposes.

9. **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 (as Note B8 defines). If the proposed project does not enter construction, respective planning costs will be deemed impaired assets and written-off.

10. **Interest Expense**
Interest expense represents the interest portion of construction loan payments to the Ohio Water Development District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. **Revenue Recognition**
Revenues for service fees are recorded in the period the service is provided. Revenues for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

12. **Income Tax**
The District operates as a public water system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

13. **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 the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District had no restrictions on net position as of December 31, 2019 and 2018.

14. **Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the basic financial statements and accompanying notes. Actual results may differ from those estimates.

15. **Operating Revenues and Expenses**
Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are district fees and contract fee revenue for water services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

16. **Accrued Liabilities and Long-Term Obligations**
All payables, accrued liabilities, and long-term obligations are reported in the financial statements when the liability is incurred.

17. **Deferred Outflows and Deferred Inflows of Resources**
Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note J and Note K. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and postemployment benefits. (See Note J and Note K)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

NOTE C – CASH AND INVESTMENTS

Deposits - The Allen County Treasurer is the custodian for the District's deposits**.** These deposits were valued at the Treasurer's reported carrying amount of $1,346,284 at December 31, 2019. These deposits were valued at the Treasurer's reported carrying amount of $1,451,102 at December 31, 2018.

In addition, $9 was carried in a petty cash fund as of December 31, 2019. and 2018, respectively.

Investments – The District had no investments as of December 31, 2019 and 2018.

NOTE D – ACCOUNTS RECEIVABLE/SPECIAL ASSESSMENTS RECEIVABLE

The accounts receivable balance of $91,152 at December 31, 2019 ($94,781 at December 31, 2018) is current (due 0-30 days). Assessment receivables of $2,824,797 at December 31, 2019 ($3,080,948 at December 31, 2018) represent the remaining balance of construction assessments, less prepayments, and principal amounts received from the county auditor.

Once an assessment has been issued for construction costs, and the deadline is final for prepayments, the remaining unpaid balances are certified to the county auditor for semi-annual collection over 5 to 25 years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA loan.

NOTE E – DISTRICT AND CONTRACT FEES

The District's customers, as an outside the city user, pay a service charge for water as well as a contract fee, not to exceed 50 percent of the water service charge, for the right and privilege of receiving water services as defined in the contract between the District and the City of Lima. The City of Lima is responsible for the billing and collection of all fees on behalf of the District.

NOTE F - COMPENSATED ABSENCES

The District uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are not accrued as a liability as employees receive no payment for accrued sick leave upon termination or retirement. The vacation and personal leave accrual as of December 31, 2019 and 2018 was $6,563 and $2,192, respectively. At December 31, 2019, there was one full-time employee and one part-time employee.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio Plan Risk Management Inc. for commercial general liability insurance. The coverage insures up to $1,000,000 for each occurrence and $3,000,000 for an aggregate total.

The District had no significant reductions in insurance coverage from prior years. The District has not had any insurance settlements which exceeded insurance coverage during the past three years.

The Plan's audited financial statements (the most recent available information) conform to accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and member's equity at December 31:

	2019	2018
	In Thousands	In Thousands
Assets	$ 15,920	$ 15,065
Liabilities	11,329	10,734
Members' Equity	$ 4,591	$ 4,331

You can read the complete audited financial statements for the Ohio Plan Risk Management Inc. at the Plan's website, ohioplan.org.

NOTE H – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019 was as follows:

	Ending Balance 12/31/18	Additions	Deletions	Adjustments	Ending Balance 12/31/2019
Capital Assets, Not Being Depreciated					
Land Easements	$ 7,186	$ -	$ -	$ -	$ 7,186
Contruction in Progress	173,766	488,039	(242,325)	(135,760)	283,720
Total Capital Assets, Not Being Depreciated	180,952	488,039	(242,325)	(135,760)	290,906
Capital Assets Being Depreciated					
Water Lines	19,706,638	235,690	-	-	19,942,328
Office Furniture and Equipment	8,731	2,693	-	-	11,424
Total Capital Assets, Being Depreciated	19,715,369	238,383	-	-	19,953,752
Less Accumulated Depreciation:					
Water Lines	(6,901,404)	(398,846)	-	-	(7,300,250)
Office Furniture and Equipment	(7,385)	(841)	-	-	(8,226)
Total Accumulated Depreciation	(6,908,789)	(399,687)	-	-	(7,308,476)
Total Capital Assets Being Depreciated, Net	12,806,580	(161,304)	-	-	12,645,276
Total Capital Assets, Net	$12,987,532	$ 326,735	$(242,325)	$ (135,760)	$ 12,936,182

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

	Ending Balance 12/31/2017	Additions	Deletions	Ending Balance 12/31/2018
Capital Assets, Not Being Depreciated				
Land Easements	$ 7,186	$ -	$ -	$ 7,186
Contruction in Progress	22,018	152,540	792	173,766
Total Capital Assets, Not Being Depreciated	29,204	152,540	792	180,952
Capital Assets Being Depreciated				
Water Lines	19,691,867	14,771	-	19,706,638
Office Furniture and Equipment	7,083	1,648	-	8,731
Total Capital Assets, Being Depreciated	19,698,950	16,419	-	19,715,369
Less Accumulated Depreciation:				
Water Lines	(6,507,270)	(394,134)	-	(6,901,404)
Office Furniture and Equipment	(7,083)	(302)	-	(7,385)
Total Accumulated Depreciation	(6,514,353)	(394,436)	-	(6,908,789)
Total Capital Assets Being Depreciated, Net	13,184,597	(378,017)	-	12,806,580
Total Capital Assets, Net	$ 13,213,801	$ (225,477)	$ 792	$ 12,987,532

NOTE H – CAPITAL ASSETS - Continued

The following is a more detailed schedule of capital assets at December 31:

	2019	2018
Land easement	$ 7,186	$ 7,186
Construction in Progress	283,720	173,766
Water Lines:		
Elm and Copus	349,046	349,046
Shawnee	1,447,304	1,447,304
McDonel	859,112	859,112
Hawthorne	211,545	211,545
State Route 309	261,180	261,180
Allentown	1,759,880	1,759,880
Buckeye Road	317,070	317,070
Shagbark and Snowberry	153,781	153,781
Springbrook	883,148	883,148
East Breese	542,554	542,554
Greely Chapel South	170,267	170,267
Dixie/Blue I & II	782,167	782,167
East Bluelick Extension	99,872	99,872
Hawthorne Extension	58,946	58,946
Lee Ann	41,969	41,969
Woodbriar	635,386	635,386
Metzger	98,363	98,363
Linfield	79,094	79,094
Fetter	216,663	216,663
Stewart	202,941	202,941
Dixie North - King	149,768	149,768
Sweger-Fraunfelter	231,822	231,822
Diller/Eastown/Frank	526,584	526,584
Eastown	185,540	185,540
Colony Park	264,676	264,676
Dixie North #3	80,107	80,107
Zurmehly Road Extension	44,470	44,470
Bath Loop	402,204	402,204
Cotner/Wapak	231,657	231,657
Shawnee Phase II	884,160	884,160
Fort Amanda Loop	180,962	180,962
Cole Street & North Cole St. Extension Loop	168,954	168,954
North West Street	129,588	129,588
Bluelick/Thayer	306,665	306,665
Berryhill & Blue Jacket	277,836	277,836
Southeast Waterline	1,745,094	1,745,094
Airport	113,429	113,429
Raabe (Delphos) Waterline	14,771	14,771
Diller Road	149,930	-
Baty Road Extension	85,760	-
Developer and Other GovernmentDonated Lines	4,598,063	4,598,063
Total Water Lines	19,942,328	19,706,638
Office furniture and equipment	11,424	8,731
Total Capital Assets	20,244,658	19,896,321
Less accumulated depreciation	(7,308,476)	(6,908,789)
Net Capital Assets	$ 12,936,182	$ 12,987,532

NOTE I – CURRENT AND LONG-TERM DEBT

Long-term debt obligations and the related transactions for the years ended December 31, 2019 and 2018 are summarized below.

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
Loan Payable OWDA #2139, payable in 50 semiannual installments of $5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	58,005	-	6,941	51,064	7,348
Loan Payable OWDA #2961, payable in 50 semiannual installments of $6,391 starting January 1, 1996, including interest at 6.72%, due July, 2020	$ 17,590	$ -	$ 11,600	$ 5,990	$ 5,990
Loan Payable OWDA #2975, payable in 50 semiannual installments of $29,635 starting January 1, 1997, including interest at 6.72%, due July, 2021	131,971	-	50,402	81,569	53,789
Loan Payable OWDA #3017, payable in 50 semiannual installments of $71,784 starting January 1, 1995, including interest at 6.85%, due July, 2019	67,202	-	67,202	-	-
Loan Payable OWDA #3018, payable in 50 semiannual installments of $8,149 starting July 1, 1995, including interest at 6.24%, due January, 2020	15,335	-	15,335	-	-

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
Loan Payable OWDA #3036, payable in 50 semiannual installments of $6,948 starting January 1, 1995, including interest at 6.51%, due July, 2019	6,527	-	6,527	-	-
Loan Payable OWDA #3111, payable in 50 semiannual installments of $11,650 starting January 1, 1995, including interest at 5.9%, due July, 2019	11,001	-	11,001	-	-
Loan Payable OWDA #3129, payable in 50 semiannual installments of $6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	$ 42,375	$ -	$ 9,695	$ 32,680	$ 10,270
Loan Payable OWDA #3130, payable in 50 semiannual installments of $4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	36,649	-	6,471	30,178	6,880
Loan Payable OWDA #3131, payable in 50 semiannual installments of $22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	191,958	-	34,339	157,619	36,282
Loan Payable OWDA #3132, payable in 50 semiannual installments of $16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	148,911	-	23,932	124,979	25,285

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
Loan Payable OWDA #3209, payable in 50 semiannual installments of $6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	77,438	-	9,163	68,275	9,733
Loan Payable OWDA #3210, payable in 50 semiannual installments of $6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	74,783	-	8,849	65,934	9,399
Loan Payable OWDA #3230, payable in 50 semiannual installments of $25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	$ 287,974	$ -	$ 33,775	$ 254,199	$ 35,975
Loan Payable OWDA #3297, payable in 50 semiannual installments of $3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	34,606	-	4,061	30,545	4,325
Loan Payable OWDA #3874, payable in 50 semiannual installments of $7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	121,719	-	10,631	111,088	11,091
Loan Payable OWDA #3910, payable in 50 semiannual installments of $6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	96,361	-	8,416	87,945	8,780

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/19	Due Within One Year
Loan Payable OWDA #4056, payable in 50 semiannual installments of $22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	371,883	-	28,902	342,981	30,117
Loan Payable OWDA #4279, payable in 50 semiannual installments of $3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	58,212	-	4,077	54,135	4,241
Loan Payable OWDA #4566, payable in 50 semiannual installments of $16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	$ 320,780	$ -	$ 20,119	$ 300,661	$ 20,950
Loan Payable OWDA #6589, payable in 20 semiannual installments of $48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	516,097	-	78,089	438,008	81,100
Loan Payable OWDA #8383, payable in 20 semiannual installments of $2,425 starting Jan 1, 2020 including interest at 2.92% due January, 2039	-	73,083	2,735	70,348	2,816
LGIF Loan Payable in quarterly installments of $10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	277,844	-	40,000	237,844	40,000
Ohio Water & Sewer Rotary See additional documentation below	272,330	-	2,317	270,013	-
Net Pension Liabilities	72,165	91,615	-	163,780	-
Net OPEB Liabilities	46,695	25,925	-	72,620	-
Compensated Absences	2,192	11,306	6,935	6,563	6,563
Totals	**$ 3,358,603**	**$ 201,929**	**$ 501,514**	**$ 3,059,018**	**$ 410,935**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

Ohio Water and Sewer Rotary Commission – The District has obtained six loans from the Ohio Water and Sewer Rotary Commission for the construction of water lines. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of underdeveloped property located within an agricultural district are exempted pursuant to Section 929.03 of the Ohio Revised Code, subject to the performance of certain terms and conditions of repayment. As part of the agreement, whenever the use of the agricultural land changes, the full amount of the assessment is to be charged for the portion of the property that was exempted under Section 929.03 of the Ohio Revised Code, and repayment is required to be made to the Ohio Water and Sewer Rotary Commission. No amortization schedule is shown for these loans as there is no set repayment schedule. If the loan is not repaid within one year of the land use change, the interest rate will be the 20-bond index rate, as quoted in the latest edition of "The Bond Buyer" minus 4% per annum or 5% per annum, whichever is greater.

Local Government Innovation Fund Loan – In 2013, the District was approved to receive a Local Government Innovation Fund (LGIF) loan for up to $500,000 at an annual interest rate of 0% for the purpose of the Southwest Regional Waterline Improvement Area Phase 1 construction in conjunction with a match by the District and additional funds provided by the Allen County Commissioners, a LGIF grant, and OWDA Loan #6589. Although the District was approved for the loan in 2013, draws from this loan did not occur until fiscal year 2014 with draws totaling $397,844 at which time the loan was closed. Loan payments began during 2016 with quarterly installments of $10,000 for a total annual payment of $40,000. This debt is anticipated to be repaid in 2025.

	Balance 12/31/17	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Loan Payable OWDA #1447, payable in 50 semiannual installments of $75,646 starting January 1, 1994, including interest at 7.54%, due July, 2018	70,304	-	70,304	-	-
Loan Payable OWDA #1448, payable in 50 semiannual installments of $42,821 starting January 1, 1994, including interest at 7.24%, due July, 2018	39,925	-	39,925	-	-
Loan Payable OWDA #1449, payable in 50 semiannual installments of $10,558 starting January 1, 1994, including interest at 7.21%, due July, 2018	9,850	-	9,850	-	-
Loan Payable OWDA #2139, payable in 50 semiannual installments of $5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	$ 64,563	$ -	$ 6,558	$ 58,005	$ 6,941

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #2961, payable in 50 semiannual installments of $6,391 starting January 1, 1996, including interest at 6.72%, due July, 2020	28,459	-	10,869	17,590	11,600
Loan Payable OWDA #2975, payable in 50 semiannual installments of $29,635 starting January 1, 1997, including interest at 6.72%, due July, 2021	179,199	-	47,228	131,971	50,402
Loan Payable OWDA #3017, payable in 50 semiannual installments of $71,784 starting January 1, 1995, including interest at 6.85%, due July, 2019	197,259	-	130,057	67,202	67,202
Loan Payable OWDA #3018, payable in 50 semiannual installments of $8,149 starting July 1, 1995, including interest at 6.24%, due January 2020	29,774	-	14,439	15,335	15,335
Loan Payable OWDA #3036, payable in 50 semiannual installments of $6,948 starting January 1, 1995 including interest at 6.51%, due July, 2019	19,174	-	12,647	6,527	6,527
Loan Payable OWDA #3111, payable in 50 semiannual installments of $11,650 starting January 1, 1995, including interest at 5.9%, due July, 2019	$ 32,391	$ -	$ 21,390	$ 11,001	$ 11,001
Loan Payable OWDA #3129, payble in 50 semiannual installments of $6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	51,526	-	9,151	42,375	9,695
Loan Payable OWDA #3130, payable in 50 semiannual installments of $4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	42,736	-	6,087	36,649	6,471
Loan Payable OWDA #3131, payable in 50 semiannual installments of $22,602 starting July, 1, 1999, including interest at 5.66%, due January, 2024	224,458	-	32,500	191,958	34,339

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #3132, payable in 50 semiannual installments of $16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	171,587	-	22,676	148,911	23,932
Loan Payable OWDA #3209, payable in 50 semiannual installments of $6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	86,063	-	8,625	77,438	9,163
Loan Payable OWDA #3210, payable in 50 semiannual installments of $6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	$ 83,113	$ -	$ 8,330	$ 74,783	$ 8,849
Loan Payable OWDA #3230, payable in 50 semiannual installments of $25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	319,684	-	31,710	287,974	33,775
Loan Payable OWDA #3297, payable in 50 semiannual installments of $3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	38,420	-	3,814	34,606	4,061
Loan Payable OWDA #3874, payable in 50 semiannual installments of $7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	131,908	-	10,189	121,719	10,631

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #3910, payable in 50 semiannual installments of $6,226 starting January 1, 2004, including interest at 4.28%, due July 2028	104,428	-	8,067	96,361	8,416
Loan Payable OWDA #4056, payable in 50 semiannual installments of $22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	399,620	-	27,737	371,883	28,902
Loan Payable OWDA #4279, payable in 50 semiannual installments of $3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	62,131	-	3,919	58,212	4,077
Loan Payable OWDA #4566, payable in 50 semiannual installments of $16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	$ 340,100	$ -	$ 19,320	$ 320,780	$ 20,119
Loan Payable OWDA #6589, payable in 20 semiannual installments of $48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	591,285	-	75,188	516,097	78,089
LGIF Loan Payable in quarterly installments of $10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	317,844	-	40,000	277,844	40,000
Ohio Water & Sewer Rotary See additional documentation below	272,330	-	-	272,330	-
Net Pension Liabilities	33,608	38,557	-	72,165	-
Net OPEB Liabilities	36,361	10,334	-	46,695	-
Compensated Absences	649	2,192	649	2,192	2,192
Totals	**$3,978,749**	**$ 51,083**	**$ 671,229**	**$ 3,358,603**	**$ 491,719**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

Future principal and interest payments on all OWDA loans and the LGIF loan are as follows:

Year Ending	OWDA Loans			LGIF Loan		
December 30,	Principal	Interest	Total	Principal	Interest	Total
2020	361,531	106,405	467,936	40,000	-	40,000
2021	344,564	87,345	431,909	40,000	-	40,000
2022	332,600	69,675	402,275	40,000	-	40,000
2023	336,657	53,408	390,065	40,000	-	40,000
2024	283,691	36,290	319,981	40,000	-	40,000
2025-2029	528,095	61,038	589,133	37,844	-	37,844
2030-2034	50,712	2,022	52,734	-	-	-
Total	$ 2,237,850	$ 416,183	$ 2,654,033	$ 237,844	$ -	$ 237,844

Loan #8383 has not been closed out, so it is not included in the above amortization schedule.

In connection with the OWDA loans, the District has pledged future revenues to repay this debt. The loans are payable through their final maturities solely from operating and certain nonoperating revenues received during the course of business. Revenues available for these loans for 2019 and 2018 were $565,902 and $672,001, respectively. Principal and interest payments totaled $558,440 and $826,284 for the years 2019 and 2018 (2018 includes interest subsidy amounts), respectively. The coverage ratios for these loans were 1.01 and 0.81 for the years ended December 31, 2019 and 2018, respectively.

On February 18, 2016, the District was notified by the Ohio Water Development District (OWDA) that they had 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 was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy in 2019 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated $62,273 of additional interest subsidies through 2031 in the following amounts annually:

	2020	19,851
	2021	15,219
	2022	11,277
	2023	7,900
	2024	4,562
	2025	2,220
	2026	519
	2027	360
	2028	194
	2029	128
	2030	36
	2031	7
Total		$62,273

NOTE J – DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net pension/OPEB asset or long-term net pension/OPEB liability on the accrual basis in the accompanying financial statements. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included as an intergovernmental payable on the accrual basis of accounting.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

The District's contractually required contribution to OPERS was $13,787 for fiscal year 2019 and $11,310 for 2018 respectively, of which the entire amount was paid during 2019 and 2018.

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, 2019 was measured as of December 31, 2018, 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.

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

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

	2019 PERS	2018 PERS
Proportionate Share of the Net Pension Liability - Current Year	0.000598%	0.000460%
Proportionate Share of the Net Pension Liability - Prior Year	0.000460%	0.000148%
Change in Proportionate Share	0.000138%	0.000312%
Proportion of the Net Pension Liability	$163,780	$72,165
Pension Expense (Gain)	$61,379	$32,297

At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	2018
Deferred Outflows of Resources		
Differences between projected and actual economic experience	$ 8	$ 74
Changes in assumptions	14,257	8,624
Differences between projected and actual investment earnings	22,229	-
Changes in proportion	31,743	32,758
District contributions subsequent to the measurement date	13,787	11,310
Total	$ 82,024	$ 52,766
Deferred Inflows of Resources		
Differences between projected and actual economic experience	$ (2,150)	$ (1,422)
Differences between projected and actual investment earnings	-	(15,493)
Total	$ (2,150)	$ (16,915)

$13,787 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2020	$39,066
2021	14,620
2022	2,062
2023	10,339
Total	$66,087

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below for the OPERS Traditional Plan.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment rate of return assumption reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

NOTE J – DEFINED BENEFIT PENSION PLANS -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 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	

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

The following table presents the District proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	$241,951	$163,780	$98,820

NOTE K - DEFINED BENEFIT OPEB PLANS

Ohio Public Employees Retirement System

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 is 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2019.

NOTE K - DEFINED BENEFIT OPEB PLANS – Continued

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. for the defined benefit health care plans. In accordance with GASB Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Member-Directed Plan health care is a defined benefit health care plan, although the pension plan is defined contribution. Interest of 4% is credited to member accounts as long as the Health Care portfolio earns a positive return. The District's proportion of the net OPEB liability was based on the District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2019 PERS	2018 PERS
Proportionate Share of the Net OPEB Liability - Current Year	0.000557%	0.000430%
Proportionate Share of the Net OPEB Liability - Prior Year	0.000430%	0.000360%
Change in Proportionate Share	0.000127%	0.000070%
Proportion of the Net OPEB Liability	$72,620	$46,695
OPEB Expense (Gain)	$13,422	$6,186

At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	2018
Deferred Outflows of Resources	PERS	PERS
Differences between expected and actual economic experience	$ 25	$ 36
Changes of assumptions	2,341	3,400
Differences between projected and actual investment earnings	3,330	-
Change in proportions	11,745	4,783
District contributions subsequent to the measurement date	-	
Total	$ 17,441	$ 8,219
Deferred Inflows of Resources	PERS	PERS
Differences between expected and actual economic experience	$ (197)	$
Differences between projected and actual investment earnings	$ -	$ (3,478)
Total	$ (197)	$ (3,478)

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

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

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

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

	OPERS
Fiscal Year Ending December:	
2020	9,446
2021	5,433
2022	687
2023	1,678
	$17,244

Actuarial Assumptions - PERS

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	

Discount Rate A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates
The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability	$92,908	$72,620	$56,485

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$69,803	$72,620	$75,863

NOTE L – CONTINGENT LIABILTIES

The District's general legal counsel is Spitler Huffman, LLP, Rossford, Ohio.

Pending or Threatened Litigation – During the years ended December 31, 2019 and 2018, the District had no pending contingent liabilities of which management is aware.

Contractually Assumed Obligations – To Counsel's knowledge, the District has assumed contractual obligations only with regard to the financing of its planning and construction activities for the construction of water systems. No claim against these contractual obligations has been made or is anticipated that would result in an unfavorable outcome to the District.

Claims and Assessments – To Counsel's knowledge, there are no unasserted claims and/or assessments which, if asserted, would have a reasonable possibility of an unfavorable outcome with a material effect upon the financial condition of the District.

NOTE M – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities* and Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the District.

GASB Statement No. 88 establishes criteria to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

NOTE N – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employment benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

Allen Water District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Total plan pension liability	$ 108,264,577,647	$ 102,273,912,351	$ 99,817,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	80,876,605,054	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	$ 27,387,972,593	$ 15,688,061,327	$ 22,708,299,469	$ 17,321,260,626	$ 12,061,117,624	$ 11,788,697,166
District's proportion of the net pension liability	0.000598%	0.000460%	0.000148%	0.000149%	0.000139%	0.000139%
District's proportionate share of the net pension liability	$ 163,780	$ 72,165	$ 33,608	$ 25,809	$ 16,765	$ 16,386
District's covered-employee payroll	$ 80,786	$ 59,346	$ 19,125	$ 52,200	$ 51,225	$ 52,762
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.73%	121.60%	175.73%	49.44%	32.73%	31.06%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.10%	86.50%	86.40%

(1) Information prior to 2014 is not available.
Amounts presented as of the District's measurement
date which is the prior year.

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 13,787	$ 11,310	$ 7,715	$ 2,295	$ 6,264	$ 6,147	$ 6,859	$ 6,119	$ 5,982	$ 5,883
Contributions in relation to the contractually required contribution	(13,787)	(11,310)	(7,715)	(2,295)	(6,264)	(6,147)	(6,859)	(6,119)	(5,982)	(5,883)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 98,479	$ 80,786	$ 59,346	$ 19,125	$ 52,200	$ 51,225	$ 52,762	$ 61,190	$ 59,820	$ 67,234
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%

Notes to Required Supplementary Information - Pension

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

Changes of Assumptions (OPERS):
Amounts reporting beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and in 2016 and prior are presented below.

	2019	2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Inreases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013	3 percent simple	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For male, Healthy Annuitant Mortality Tables were used adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality Tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled mortality tables are determined by applying the MP-2015 mortality improvements scale to the above described tables.

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

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

	2019	**2018**	**2017**
Total plan OPEB liability	$ 24,290,625,123	$ 23,678,097,060	$ 21,980,827,536
Plan net position	11,252,985,702	12,818,833,665	11,880,487,863
Net OPEB liability	13,037,639,421	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00055700%	0.00043000%	0.00036000%
District's proportionate share of the net OPEB liability	$ 72,620	$ 46,695	$ 36,361
District's covered-employee payroll	$ 80,786	$ 59,346	$ 19,125
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	89.89%	78.68%	190.12%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

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

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

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ 593	$ 1,620
Contributions in relation to the contractually required contribution	-	-	(593)	(1,620)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District covered-employee payroll	$ 98,479	$ 80,786	$ 59,346	$ 19,125
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	1.00%	8.50%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

Changes to Benefit Terms: There were no changes in benefit terms affecting the OPERS plan for the plan year ended December 31, 2018.

Changes of Assumptions (OPERS): For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend reate was 10 percent initial, 3.25 percent ultimate in 2020. For 2018, the health care cost trend rate was 7.25 percent initial, 3.25 percent ultimate in 2028.

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2018 by $13,647,668 and on December 31, 2017 by $13,759,810. The District's net position decreased by $76,374 (.6%) in 2018 and increased by $103,895 (.8%) in 2017.

The District's operating revenues increased by $32,588 (3.0%) in 2018 and by $103,192 (10.6%) in 2017. Operating expenses increased by $82,656 (6.8%) in 2018 and increased by $121,917 (11.09%) in 2017.

During 2018, the District did not issue any new debt and paid $670,580 in principal on outstanding debt. The District also had $168,959 in capital asset additions during 2018.

During 2017, the District did not issue any new debt and paid $770,188 in principal on outstanding debt. The District also had $159,857 in capital asset additions during 2017.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special 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. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

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," represents capital assets less outstanding debt that was used to acquire those assets.

(Table 1)
Net Position

	2018	2017	Difference	2016	Difference
Current and Other Assets	$ 4,691,488	$ 5,035,287	$ (343,799)	$ 5,530,655	$ (495,368)
Capital Assets, Net	12,987,532	13,213,801	(226,269)	13,447,781	(233,980)
Total Assets	17,679,020	18,249,088	(570,068)	18,978,436	(729,348)
Pensions	52,766	18,481	34,285	11,055	7,426
OPEB	8,219	-	8,219	-	-
Total Deferred Outflows of Resources	60,985	18,481	42,504	11,055	7,426
Long Term Liabilities	2,866,884	3,271,158	(404,274)	3,933,939	(662,781)
Current and Other Liabilities	750,899	782,240	(31,341)	944,977	(162,737)
Total Liabilities	3,617,783	4,053,398	(435,615)	4,878,916	(825,518)
Pensions	16,915	200	16,715	499	(299)
OPEB	3,478	-	3,478	-	-
Unearned Special Assessments	454,161	454,161	-	454,161	-
Total Deferred Inflows of Resources	474,554	454,361	20,193	454,660	(299)
Net Investment in Capital Assets	9,614,221	9,305,670	308,551	8,769,462	536,208
Unrestricted	4,033,447	4,454,140	(420,693)	4,886,453	(432,313)
Total Net Position	**$ 13,647,668**	**$ 13,759,810**	**$ (112,142)**	**$ 13,655,915**	**$ 103,895**

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $13,759,810 to $13,724,042.

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

The District's net position decreased by $76,374 (.6%) in 2018 and increased by $103,895 (.8%) in 2017. The decrease in 2018 is primarily a result of implementing GASB 75. Long-term liabilities decreased primarily due to payments related to the retirement of debt during 2018. Cash increased primarily due to an increase in collection of accounts receivable and an increase in accounts payable in 2018. The increase in 2017 is due primarily to an increase in cash and cash equivalents as well as an increase in capital assets. This increase was partially offset by decreases in assessments receivable from payments received during 2017. Long-term liabilities decreased primarily due to payments related to the retirement of debt during 2017. Cash increased due to cash receipts exceeding cash disbursements primarily due to the OWDA interest subsidy which reduced cash interest payments in 2017.

Unrestricted net position decreased $420,693 from 2017 to 2018 and decreased $432,313 from 2016 to 2017. Unrestricted net position may be used without constraints established by other legal requirements. Cash and cash equivalents increased $297,886 as cash receipts exceeded cash disbursements during 2018. Cash and cash equivalents increased $127,623 from 2016 to 2017 as cash receipts exceeded cash disbursements in 2017. Assessments receivable decreased $577,619 from 2017 to 2018 due to payments received on outstanding balances from customers. Assessments receivable decreased $548,784 between 2016 and 2017 due to payments received on outstanding balances from customers. Capital Assets increased $168,167 with the addition of construction in progress which exceeded depreciation expense during 2018. Capital assets increased $159,857 with the addition of capital asset contributions from other governments and the completion of construction in progress exceeded depreciation expense during 2017.

STATEMENTS OF CHANGES IN NET POSITION

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

(Table 2)
Changes in Net Position

	2018	2017	Difference	2016	Difference
Operating Revenues	$ 1,108,946	$ 1,076,358	$ 32,588	$ 973,166	$ 103,192
Operating Expenses (Excluding Deprecation)	909,211	827,153	82,058	707,920	119,233
Depreciation	394,435	393,837	598	391,153	2,684
Total Operating Expenses	1,303,646	1,220,990	82,656	1,099,073	121,917
Operating (Loss)	(194,700)	(144,632)	(50,068)	(125,907)	(18,725)
Non-Operating Revenues	289,304	307,018	(17,714)	560,693	(253,675)
Non-Operating Expenses	(170,978)	(218,663)	47,685	(289,724)	71,061
Capital Contributions	-	160,172	(160,172)	492,334	(332,162)
Changes in Net Position	(76,374)	103,895	(180,269)	637,396	(533,501)
Net Position at Beginning of Year *	13,724,042	13,655,915	68,127	13,018,519	637,396
Net Position at End of Year	**$ 13,647,668**	**$ 13,759,810**	**$ (112,142)**	**$ 13,655,915**	**103,895**

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

Operating revenues increased $32,588 from 2017 to 2018 primarily due to an increase in contract fee revenues. Operating expenses, exclusive of depreciation, increased $82,058 primarily due to increases in contract fees expense, personnel costs, and pension/OPEB expenses from the previous year. Contract fees expense increased as a direct result of increased contract fees revenue received. Personnel costs increased as a full year of a full-time position was realized in 2018 which had not been the case in 2017. Pension and OPEB expenses increased due to changes in pension and OPEB from the prior year. Interest income decreased $9,700 due to less interest from decreasing special assessment receivable balances. Capital permit fees and supplemental charges increased $13,883 due to users connecting to the system. Interest expense decreased $44,896 due to decreasing balances of OWDA loans payable. Capital contributions decreased $160,172 due there being no intergovernmental capital contributions of assets occurring during 2018.

Operating revenues increased $103,192 from 2016 to 2017 primarily due to an increase in contract fee revenues. Operating expenses, exclusive of depreciation, increased $119,233 primarily due to increases in contract fees expense from the previous year. Audit fees decreased in 2017 as audits are only performed every other year. Contract fees expense increased as a direct result of increased contract fees revenue received. Interest income decreased $26,202 due to less interest from decreasing special assessment receivable balances. Capital permit fees and supplemental charges decreased $147,090 due to fewer users connecting to the system. Interest expense decreased $37,109 due to decreasing balances of OWDA loans payable. Capital contributions decreased $332,162 due to fewer intergovernmental capital contributions of assets occurring during 2017.

CAPITAL ASSETS

The District had $19,896,321 invested in capital assets (before depreciation) at the end of 2018. This amount increased from 2017 by $168,167 primarily due to an increase in construction in progress. The District had $12,987,532 invested in net capital assets (after depreciation) at the end of 2018. This amount is a decrease of $226,269 (1.71%) from the previous year and is primarily due to depreciation expense.

The District had $19,728,154 invested in capital assets (before depreciation) at the end of 2017. This amount increased from 2016 by $159,857 due to the addition of water lines. The District had $13,213,801 invested in net capital assets (after depreciation) at the end of 2017. This amount is a decrease of $233,980 (1.74%) from the previous year and is primarily due to depreciation expense.

(Table 3)
Capital Assets at December 31

	2018	2017	2016
Land Easements	$ 7,186	$ 7,186	$ 7,186
Construction in Progress	173,766	22,018	19,483
Water Lines	19,706,638	19,691,867	19,534,545
Office Furniture & Equipment	8,731	7,083	7,083
Totals Before Accumulated Depreciation	19,896,321	19,728,154	19,568,297
Accumulated Depreciation	(6,908,789)	(6,514,353)	(6,120,516)
Net Capital Assets	**$12,987,532**	**$13,213,801**	**$13,447,781**

Additional information regarding capital assets can be found in Note H to the basic financial statements.

DEBT

The District issues long term debt to finance much of its construction. The District typically levies special assessments on the benefiting property owners and then generally obtains Ohio Water Development Authority Loans (OWDA) to finance these water line projects. The special assessment collections are generally received over a twenty-five-year period (with some exceptions) and such collections are used to assist in paying the debt service on the OWDA Loans and the Local Government Innovation Fund (LGIF) Loan. Additional information regarding debt can be found in Note I to the basic financial statements.

(Table 4)
Outstanding Debt, at December 31

	2018	2017	2016
OWDA Loans	$ 2,687,377	$ 3,317,957	$ 4,048,145
LGIF Loan	277,844	317,844	357,844
Rotary Commission Loans	272,330	272,330	272,330
Total Long Term Debt	3,237,551	3,908,131	4,678,319
Less			
Current Maturities	489,527	670,581	770,189
Net Long Term Debt	$ 2,748,024	$ 3,237,550	$ 3,908,130

CASH

Cash and cash equivalents on December 31, 2018 were $1,451,111and on December 31, 2017 were $1,153,225.

OTHER SIGNIFICANT INFORMATION

As described in Note N of this report, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Merle Miller, Treasurer, Allen Water District, 3230 North Cole Street, Lima, Ohio 45801 or (419) 996-4679.

Allen Water District
Allen County, Ohio

Statements of Net Position
As of December 31, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2018	Unaudited 2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 9	$ 1,153,225
Equity in County Treasury	1,451,102	-
Accounts receivable	94,781	134,128
Intergovernmental receivable	-	24,725
Prepaid insurance	1,613	1,607
Total current assets	1,547,505	1,313,685
NONCURRENT ASSETS:		
Capital Assets:		
Land easements	7,186	7,186
Construction in Progress	173,766	22,018
Water lines	19,706,638	19,691,867
Office furniture and equipment	8,731	7,083
	19,896,321	19,728,154
Less: Accumulated depreciation	(6,908,789)	(6,514,353)
Net capital assets	12,987,532	13,213,801
Other Assets:		
Assessments receivable	3,080,948	3,658,567
Planning costs	63,035	63,035
Total other assets	3,143,983	3,721,602
TOTAL ASSETS	**$ 17,679,020**	**$ 18,249,088**
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	52,766	18,481
OPEB	8,219	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	60,985	18,481
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 17,740,005**	**$ 18,267,569**

(Continued)

Allen Water District
Allen County, Ohio

Statements of Net Position - Continued
As of December 31, 2018 and 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2018	Unaudited 2017
CURRENT LIABILITIES:		
Accounts payable	$ 123,420	$ 86,284
Contracts payable	129,605	-
Accrued interest	-	24,726
Vacation and personal leave accrual	2,192	649
Retainage payable	6,155	-
Loans payable - current portion	489,527	670,581
Total current liabilities	750,899	782,240
LONG-TERM LIABILITIES:		
Net pension liabilities	72,165	33,608
Net OPEB liabilities	46,695	-
Loans payable	2,748,024	3,237,550
Total long-term liabilities	2,866,884	3,271,158
TOTAL LIABILITIES	3,617,783	4,053,398
DEFERRED INFLOWS OF RESOURCES:		
Pensions	16,915	200
OPEB	3,478	-
Unearned special assessments	454,161	454,161
TOTAL DEFERRED INFLOWS OF RESOURCES	474,554	454,361
NET POSITION:		
Net investment in capital assets	9,614,221	9,305,670
Unrestricted	4,033,447	4,454,140
TOTAL NET POSITION	13,647,668	13,759,810
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 17,740,005**	**$ 18,267,569**

See accompanying notes to the basic financial statements.

Allen Water District
Allen County, Ohio

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	Unaudited 2017
OPERATING REVENUES:		
District fees	$ 382,697	$ 383,377
Contract fees revenue	726,249	692,981
Total operating revenues	1,108,946	1,076,358
OPERATING EXPENSES:		
Office wages	54,484	33,401
Contract fees expense	726,249	692,981
Trustee fees	27,846	27,975
Payroll taxes/Health Insurance/Workers compensation	16,829	10,897
PERS/Pension/OPEB expense	38,483	8,576
Membership fees and continuing education	-	1,105
Engineering fees	2,715	-
Legal fees	7,542	11,009
Accounting fees	9,350	14,740
Audit fees	4,018	-
Consulting - office support	-	3,500
Insurance	3,486	3,597
Office supplies	5,115	4,786
Office rent	12,000	13,000
Public relations	587	308
Postage	-	98
Easement rent	507	492
Depreciation	394,435	393,837
License fees and other	-	688
Total operating expenses	1,303,646	1,220,990
Operating loss	**$ (194,700)**	**$ (144,632)**

(Continued)

Allen Water District
Allen County, Ohio

Statements of Revenues, Expenses and Changes in Net Position - Continued
For the Years Ended December 31, 2018 and 2017

	2018	Unaudited 2017
Operating loss	$ (194,700)	$ (144,632)
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental	40,113	62,038
Interest income	182,439	192,139
Capital permit fees and supplemental charges	66,614	52,731
Regionalization study	-	(2,789)
Interest expense	(170,978)	(215,874)
Miscellaneous revenue	138	110
Net nonoperating revenues (expenses)	118,326	88,355
Changes in net position before capital contributions	(76,374)	(56,277)
Capital contributions - intergovernmental	-	131,575
Capital contributions - special assessments	-	28,597
Total Capital Contributions	-	160,172
Changes in net position	(76,374)	103,895
Net position, beginning of year -Restated as of 01/01/18	13,724,042	13,655,915
Net position, end of year	**$ 13,647,668**	**$ 13,759,810**

See accompanying notes to the basic financial statements.

Allen Water District
Allen County, Ohio

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	Unaudited 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 400,029	$ 404,239
Cash received from contract fee revenues	748,264	702,769
Cash payments to suppliers for goods and services	(734,439)	(798,551)
Cash payments for employee services and benefits	(108,925)	(83,101)
Net cash provided by operating activities	304,929	225,356
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other income	138	110
Net cash provided by noncapital financing activities	138	110
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Regionalization study	-	(2,789)
Capital permit fees	66,614	52,731
Intergovernmental	-	105,477
OWDA principal payments	(630,580)	(730,188)
OWDA interest payments	(130,866)	(224,312)
LGIF loan principal payment	(40,000)	(40,000)
Special assessments collections	577,619	577,381
Special assessment interest income	182,439	190,696
Capital outlay	(32,407)	(28,282)
Net cash provided by capital and related financing activities	(7,181)	(99,286)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and cash equivalents	-	1,443
Net increase in cash and cash equivalents	297,886	127,623
Cash and cash equivalents at beginning of year	1,153,225	1,025,602
Cash and cash equivalents at end of year	**$ 1,451,111**	**$ 1,153,225**

(Continued)

Allen Water District
Allen County, Ohio

Statements of Cash Flows - Continued
For the Years Ended December 31, 2018 and 2017

	2018	Unaudited 2017
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (194,700)	$ (144,632)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	394,435	393,837
Pension expense adjustments not affecting cash	20,988	74
OPEB expense adjustments not affecting cash	6,186	-
Changes in Assets and Liabilities:		
Decrease in accounts receivable	39,347	30,650
(Increase) decrease in prepaid insurance	(6)	118
Increase (decrease) in accounts payable (operating)	37,136	(53,470)
(Decrease) in payroll taxes accrued and withheld	-	(1,870)
Increase in vacation and personal leave accrual	1,543	649
Total adjustments	499,629	369,988
Net cash provided by operating activities	**$ 304,929**	**$ 225,356**
NON-CASH TRANSACTIONS:		
Special assessments	$ -	$ 28,597
Capital asset contributions from other governments	$ -	$ 131,575
Intergovernmental revenue - interest subsidy	$ 64,838	$ -
Interest expense - interest subsidy	$ (64,838)	$ -

See accompanying notes to the basic financial statements.

NOTE A – NATURE OF ORGANIZATION

The Allen Water District, hereafter referred to as "the District," was created by the Court of Common Pleas of Allen County in accordance with the provisions of Section 6119.et.seq of the Ohio Revised Code to provide water services to the residents of Bath, American, Perry, Shawnee, Monroe, Auglaize, Jackson, and Amanda Townships. A seven (7) member appointed Board of Trustees manage the Allen Water District. The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 government units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

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

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

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

2. **Basis of Accounting and Measurement Focus**
   Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting policies of the District conform to accounting policies generally accepted in the United States of America.

   For financial statement presentation purposes, the District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned. Expenses are recognized under the accrual basis of accounting when the liability is incurred.

3. **Budgetary Process**
   The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the years ended December 31, 2018 and 2017, and has adopted and passed annual appropriations resolutions.

   Appropriations – For the years ended December 31, 2018 and 2017, budgetary expenditures could not exceed appropriations at the levels of operating expenditures, direct project expenditures, debt payments, capital expenditures, contract expense, and private development expense and, within each, the amount appropriated for personal service. The District must annually approve appropriation measures and subsequent amendments. For both years, appropriations may not exceed estimated resources.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

4. **Cash and Investments**
Effective January 1, 2018 the Allen County Treasurer became the custodian for the Allen Water District's cash and investments. The County's cash and investment pool holds the District's cash and investments, which are reported at the County Treasurer's carrying amount. Deposit and investment disclosures for Allen County as a whole may be obtained from the Allen County Treasurer, Evalyn Shaffner, 301 N Main St., Suite 203, Lima, OH 45801 or (419) 223-8515.

5. **Accounts Receivable**
Accounts receivable consist of District fees charged to customers and are shown at their net realizable value.

6. **Special Assessments Receivable/Unearned Special Assessments**
Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances are deferred agricultural property assessments. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a deferred inflow of resources account that is called unearned special assessments. The time frame of collection is undeterminable.

7. **Prepaid Expenses**
Payments made to vendors for services that will benefit periods beyond December 31, 2018 and 2017 are recorded as prepaid items using the consumption method. A current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

8. **Capital Assets**
Capital assets are stated at cost and are depreciated over the estimated useful lives of the assets from five to fifty years, depending on the type of asset. Equipment is generally depreciated over five to seven years while water lines are generally depreciated over fifty years. Donated assets are reported at their estimated acquisition value on the date donated. In addition, interest costs incurred during the construction of the water system infrastructure are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins. Prior to 2004, the District recorded the purchase of all assets as capital assets. Since 2004, the District has maintained a capital asset threshold of $500.

Depreciation is computed using the straight-line method for financial reporting purposes.

9. **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 (as Note B8 defines). If the proposed project does not enter construction, respective planning costs will be deemed impaired assets and written-off.

10. **Interest Expense**
Interest expense represents the interest portion of construction loan payments to the Ohio Water Development District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. **Revenue Recognition**
Revenues for service fees are recorded in the period the service is provided. Revenues for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

12. **Income Tax**
The District operates as a public water system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

13. **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 the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District had no restrictions on net position as of December 31, 2018 and 2017.

14. **Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the basic financial statements and accompanying notes. Actual results may differ from those estimates.

15. **Operating Revenues and Expenses**
Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are district fees and contract fee revenue for water services provided. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

16. **Accrued Liabilities and Long-Term Obligations**
All payables, accrued liabilities, and long-term obligations are reported in the financial statements when the liability is incurred.

17. **Deferred Outflows and Deferred Inflows of Resources**
Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note J and Note K. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and postemployment benefits. (See Note J and Note K)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

18. **Pensions and Other Postemployment Benefits (OPEB)**
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, 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/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

NOTE C – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS

At January 1, 2018, the Allen County Auditor became the fiscal agent for the District and the Allen County Treasurer became the custodian for the District's deposits. These deposits were valued at the Treasurer's reported carrying amount of $1,451,102 at December 31, 2018.

The remainder of this disclosure relates to the year ended December 31, 2017. Active deposits are public deposits necessary to meet current demands. Such monies must be maintained either as cash in the treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only though eligible institutions;

NOTE C – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS -Continued

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

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council and must be purchased with the expectation that it will be held to maturity.

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

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2017, $903,216 of the District's bank balances of $1,153,216 were exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation(FDIC).

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

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

In addition, $9 was carried in a petty cash fund as of December 31, 2017.

Investments – The District had no investments as of December 31, 2017.

NOTE D – ACCOUNTS RECEIVABLE/SPECIAL ASSESSMENTS RECEIVABLE

The accounts receivable balance of $94,781 at December 31, 2018 ($134,128 at December 31, 2017) is current (due 0-30 days). Assessment receivables of $3,080,948 at December 31, 2018 ($3,658,567 at December 31, 2017) represent the remaining balance of construction assessments, less prepayments, and principal amounts received from the county auditor.

Once an assessment has been issued for construction costs, and the deadline is final for prepayments, the remaining unpaid balances are certified to the county auditor for semi-annual collection over 25 years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA loan.

NOTE E – DISTRICT AND CONTRACT FEES

The District's customers, as an outside the city user, pay a service charge for water as well as a contract fee, not to exceed 50 percent of the water service charge, for the right and privilege of receiving water services as defined in the contract between the District and the City of Lima. The City of Lima is responsible for the billing and collection of all fees on behalf of the District.

NOTE F - COMPENSATED ABSENCES

The District uses the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are not accrued as a liability as employees receive no payment for accrued sick leave upon termination or retirement. The vacation and personal leave accrual as of December 31, 2018 and 2017 was $2,192 and $649, respectively. At December 31, 2018, there was one full-time employee.

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Ohio Plan Risk Management Inc. for commercial general liability insurance. The coverage insures up to $1,000,000 for each occurrence and $3,000,000 for an aggregate total.

The District had no significant reductions in insurance coverage from prior years. The District has not had any insurance settlements which exceeded insurance coverage during the past three years.

The Plan's audited financial statements (the most recent available information) conform to accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and member's equity at December 31:

	2018 In Thousands	2017 In Thousands
Assets	$ 15,065	$ 14,854
Liabilities	10,734	9,562
Members' Equity	$ 4,331	$ 5,292

You can read the complete audited financial statements for the Ohio Plan Risk Management Inc. at the Plan's website, ohioplan.org.

NOTE H – CAPITAL ASSETS

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

	Ending Balance 12/31/17	Additions	Deletions	Ending Balance 12/31/2018
Capital Assets, Not Being Depreciated				
Land Easements	$ 7,186	$ -	$ -	$ 7,186
Contruction in Progress	22,018	152,540	792	173,766
Total Capital Assets, Not Being Depreciated	29,204	152,540	792	180,952
Capital Assets Being Depreciated				
Water Lines	19,691,867	14,771	-	19,706,638
Office Furniture and Equipment	7,083	1,648	-	8,731
Total Capital Assets, Being Depreciated	19,698,950	16,419	-	19,715,369
Less Accumulated Depreciation:				
Water Lines	(6,507,270)	(394,134)	-	(6,901,404)
Office Furniture and Equipment	(7,083)	(302)	-	(7,385)
Total Accumulated Depreciation	(6,514,353)	(394,436)	-	(6,908,789)
Total Capital Assets Being Depreciated, Net	13,184,597	(378,017)	-	12,806,580
Total Capital Assets, Net	$ 13,213,801	$ (225,477)	$ 792	$ 12,987,532

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

	Ending Balance 12/31/2016	Additions	Deletions	Ending Balance 12/31/2017
Capital Assets, Not Being Depreciated				
Land Easements	$ 7,186	$ -	$ -	$ 7,186
Contruction in Progress	19,483	4,746	2,211	22,018
Total Capital Assets, Not Being Depreciated	26,669	4,746	2,211	29,204
Capital Assets Being Depreciated				
Water Lines	19,534,545	157,322	-	19,691,867
Office Furniture and Equipment	7,083	-	-	7,083
Total Capital Assets, Being Depreciated	19,541,628	157,322	-	19,698,950
Less Accumulated Depreciation:				
Water Lines	(6,113,433)	(393,837)	-	(6,507,270)
Office Furniture and Equipment	(7,083)	-	-	(7,083)
Total Accumulated Depreciation	(6,120,516)	(393,837)	-	(6,514,353)
Total Capital Assets Being Depreciated, Net	13,421,112	(236,515)	-	13,184,597
Total Capital Assets, Net	$ 13,447,781	$ (231,769)	$ 2,211	$ 13,213,801

NOTE H – CAPITAL ASSETS - Continued

The following is a more detailed schedule of capital assets at December 31:

	2018	2017
Land easement	$ 7,186	$ 7,186
Construction in Progress	173,766	22,018
Water Lines:		
Elm and Copus	349,046	349,046
Shawnee	1,447,304	1,447,304
McDonel	859,112	859,112
Hawthorne	211,545	211,545
State Route 309	261,180	261,180
Allentown	1,759,880	1,759,880
Buckeye Road	317,070	317,070
Shagbark and Snowberry	153,781	153,781
Springbrook	883,148	883,148
East Breese	542,554	542,554
Greely Chapel South	170,267	170,267
Dixie/Blue I & II	782,167	782,167
East Bluelick Extension	99,872	99,872
Hawthorne Extension	58,946	58,946
Lee Ann	41,969	41,969
Woodbriar	635,386	635,386
Metzger	98,363	98,363
Linfield	79,094	79,094
Fetter	216,663	216,663
Stewart	202,941	202,941
Dixie North - King	149,768	149,768
Sweger-Fraunfelter	231,822	231,822
Diller/Eastown/Frank	526,584	526,584
Eastown	185,540	185,540
Colony Park	264,676	264,676
Dixie North #3	80,107	80,107
Zurmehly Road Extension	44,470	44,470
Bath Loop	402,204	402,204
Cotner/Wapak	231,657	231,657
Shawnee Phase II	884,160	884,160
Fort Amanda Loop	180,962	180,962
Cole Street Extension Loop	139,666	139,666
North West Street	129,588	129,588
North Cole Street Extension Loop	29,288	29,288
Bluelick/Thayer	306,665	306,665
Berryhill	205,454	205,454
Blue Jacket	72,382	72,382
Southeast Waterline	1,745,094	1,745,094
Airport	113,429	113,429
Raabe (Delphos) Waterline	14,771	-
Developer and Other GovernmentDonated Lines	4,598,063	4,598,063
Total Water Lines	19,706,638	19,691,867
Office furniture and equipment	8,731	7,083
Total Capital Assets	19,896,321	19,728,154
Less accumulated depreciation	(6,908,789)	(6,514,353)
Net Capital Assets	$ 12,987,532	$ 13,213,801

NOTE I – CURRENT AND LONG-TERM DEBT

Long-term debt obligations and the related transactions for the years ended December 31, 2018 and 2017 are summarized below.

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #1447, payable in 50 semiannual installments of $75,646 starting January 1, 1994, including interest at 7.54%, due July, 2018	70,304	-	70,304	-	-
Loan Payable OWDA #1448, payable in 50 semiannual installments of $42,821 starting January 1, 1994, including interest at 7.24%, due July, 2018	39,925	-	39,925	-	-
Loan Payable OWDA #1449, payable in 50 semiannual installments of $10,558 starting January 1, 1994, including interest at 7.21%, due July, 2018	9,850	-	9,850	-	-
Loan Payable OWDA #2139, payable in 50 semiannual installments of $5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	64,563	-	6,558	58,005	6,941

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #2961, payable in 50 semiannual installments of $6,391 starting January 1, 1996, including interest at 6.72%, due July, 2020	$ 28,459	$ -	$ 10,869	$ 17,590	$ 11,600
Loan Payable OWDA #2975, payable in 50 semiannual installments of $29,635 starting January 1, 1997, including interest at 6.72%, due July, 2021	179,199	-	47,228	131,971	50,402
Loan Payable OWDA #3017, payable in 50 semiannual installments of $71,784 starting January 1, 1995, including interest at 6.85%, due July, 2019	197,259	-	130,057	67,202	67,202
Loan Payable OWDA #3018, payable in 50 semiannual installments of $8,149 starting July 1, 1995, including interest at 6.24%, due January, 2020	29,774	-	14,439	15,335	15,335
Loan Payable OWDA #3036, payable in 50 semiannual installments of $6,948 starting January 1, 1995, including interest at 6.51%, due July, 2019	19,174	-	12,647	6,527	6,527
Loan Payable OWDA #3111, payable in 50 semiannual installments of $11,650 starting January 1, 1995, including interest at 5.9%, due July, 2019	32,391	-	21,390	11,001	11,001

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #3129, payable in 50 semiannual installments of $6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	$ 51,526	$ -	$ 9,151	$ 42,375	$ 9,695
Loan Payable OWDA #3130, payable in 50 semiannual installments of $4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	42,736	-	6,087	36,649	6,471
Loan Payable OWDA #3131, payable in 50 semiannual installments of $22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	224,458	-	32,500	191,958	34,339
Loan Payable OWDA #3132, payable in 50 semiannual installments of $16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	171,587	-	22,676	148,911	23,932
Loan Payable OWDA #3209, payable in 50 semiannual installments of $6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	86,063	-	8,625	77,438	9,163
Loan Payable OWDA #3210, payable in 50 semiannual installments of $6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	83,113	-	8,330	74,783	8,849

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #3230, payable in 50 semiannual installments of $25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	$ 319,684	$ -	$ 31,710	$ 287,974	$ 33,775
Loan Payable OWDA #3297, payable in 50 semiannual installments of $3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	38,420	-	3,814	34,606	4,061
Loan Payable OWDA #3874, payable in 50 semiannual installments of $7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	131,908	-	10,189	121,719	10,631
Loan Payable OWDA #3910, payable in 50 semiannual installments of $6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	104,428	-	8,067	96,361	8,416
Loan Payable OWDA #4056, payable in 50 semiannual installments of $22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	399,620	-	27,737	371,883	28,902
Loan Payable OWDA #4279, payable in 50 semiannual installments of $3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	62,131	-	3,919	58,212	4,077

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/2017*	Additions	Reductions	Balance 12/31/18	Due Within One Year
Loan Payable OWDA #4566, payable in 50 semiannual installments of $16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	$ 340,100	$ -	$ 19,320	$ 320,780	$ 20,119
Loan Payable OWDA #6589, payable in 20 semiannual installments of $48,532 starting July 1, 2015, including interest at 3.82% due January, 2025	591,285	-	75,188	516,097	78,089
LGIF Loan Payable in quarterly installments of $10,000 starting April 30, 2016 including interest at 0.00% until loan paid off	317,844	-	40,000	277,844	40,000
Ohio Water & Sewer Rotary Loans See additional documentation below	272,330	-	-	272,330	-
Net Pension Liabilities	33,608	38,557		72,165	-
Net OPEB Liabilities	36,361	10,334		46,695	-
Compensated Absences	649	2,192	649	2,192	2,192
Totals	**$ 3,978,749**	**$ 51,083**	**$ 671,229**	**$ 3,358,603**	**$ 491,719**

* As restated for GASB 75, See Note M for additional information.

Ohio Water and Sewer Rotary Commission – The District has obtained six loans from the Ohio Water and Sewer Rotary Commission for the construction of water lines. These loans provide funding assistance for that portion of the project for which collections of assessments from certain owners of underdeveloped property located within an agricultural district are exempted pursuant to Section 929.03 of the Ohio Revised Code, subject to the performance of certain terms and conditions of repayment. As part of the agreement, whenever the use of the agricultural land changes, the full amount of the assessment is to be charged for the portion of the property that was exempted under Section 929.03 of the Ohio Revised Code, and repayment is required to be made to the Ohio Water and Sewer Rotary Commission. No amortization schedule is shown for these loans as there is no set repayment schedule. If the loan is not repaid within one year of the land use change, the interest rate will be the 20-bond index rate, as quoted in the latest edition of "The Bond Buyer" minus 4% per annum or 5% per annum, whichever is greater.

Local Government Innovation Fund Loan – In 2013, the District was approved to receive a Local Government Innovation Fund (LGIF) loan for up to $500,000 at an annual interest rate of 0% for the purpose of the Southwest Regional Waterline Improvement Area Phase 1 construction in conjunction with a match by the District and additional funds provided by the Allen County Commissioners, a LGIF grant, and OWDA Loan #6589. Although the District was approved for the loan in 2013, draws from this loan did not occur until 2014 with draws totaling $397,844 at which time the loan was closed. Loan payments began during 2016 with quarterly installments of $10,000 for a total annual payment of $40,000. This debt is anticipated to be repaid in 2025.

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/16	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Loan Payable OWDA #1445, payable in 50 semiannual installments of $15,886 starting January 1, 1993, including interest at 7.56%, due July, 2017	$ 14,758	$ -	$ 14,758	$ -	$ -
Loan Payable OWDA #1446, payable in 50 semiannual installments of $758 starting January 1, 1993, including interest at 7.45%, due July, 2017	705	-	705	-	-
Loan Payable OWDA #1447, payable in 50 semiannual installments of $75,646 starting January 1, 1994, including interest at 7.54%, due July, 2018	206,059	-	135,755	70,304	70,304
Loan Payable OWDA #1448, payable in 50 semiannual installments of $42,821 starting January 1, 1994, including interest at 7.24%, due July, 2018	117,089	-	77,164	39,925	39,925
Loan Payable OWDA #1449, payable in 50 semiannual installments of $10,558 starting January 1, 1994, including interest at 7.21%, due July, 2018	28,883	-	19,033	9,850	9,850

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
Loan Payable OWDA #2139, payable in 50 semiannual installments of $5,095 starting July 1, 2001, including interest at 5.77%, due January, 2026	$ 70,758	$ -	$ 6,195	$ 64,563	$ 6,558
Loan Payable OWDA #2961, payable in 50 semiannual installments of $6,391 starting January 1, 1996, including interest at 6.72%, due July, 2020	38,643	-	10,184	28,459	10,869
Loan Payable OWDA #2975, payable in 50 semiannual installments of $29,635 starting January 1, 1997, including interest at 6.72%, due July, 2021	223,453	-	44,254	179,199	47,228
Loan Payable OWDA #3017, payable in 50 semiannual installments of $71,784 starting January 1, 1995, including interest at 6.85%, due July, 2019	318,978	-	121,719	197,259	130,057
Loan Payable OWDA #3018, payable in 50 semiannual installments of $8,149 starting July 1, 1995, including interest at 6.24%, due January, 2020	43,366	-	13,592	29,774	14,439
Loan Payable OWDA #3036, payable in 50 semiannual installments of $6,948 starting January 1, 1995, including interest at 6.51%, due July, 2019	31,048	-	11,874	19,174	12,647

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
Loan Payable OWDA #3111, payable in 50 semiannual installments of $11,650 starting January 1, 1995, including interest at 5.9%, due July, 2019	$ 52,588	$ -	$ 20,197	$ 32,391	$ 21,390
Loan Payable OWDA #3129, payable in 50 semiannual installments of $6,106 starting January 1, 1998, including interest at 5.94%, due July, 2023	60,163	-	8,637	51,526	9,151
Loan Payable OWDA #3130, payable in 50 semiannual installments of $4,394 starting July 1, 1999, including interest at 6.32%, due January, 2024	48,461	-	5,725	42,736	6,087
Loan Payable OWDA #3131, payable in 50 semiannual installments of $22,602 starting July 1, 1999, including interest at 5.66%, due January, 2024	255,217	-	30,759	224,458	32,499
Loan Payable OWDA #3132, payable in 50 semiannual installments of $16,091 starting January 1, 2000, including interest at 5.54%, due July, 2024	193,072	-	21,485	171,587	22,676
Loan Payable OWDA #3209, payable in 50 semiannual installments of $6,886 starting July 1, 2001, including interest at 6.13%, due January, 2026	94,183	-	8,120	86,063	8,626

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
Loan Payable OWDA #3210, payable in 50 semiannual installments of $6,650 starting July 1, 2001, including interest at 6.13%, due January, 2026	$ 90,956	$ -	$ 7,843	$ 83,113	$ 8,330
Loan Payable OWDA #3230, payable in 50 semiannual installments of $25,851 starting July 1, 2001, including interest at 6.41%, due January, 2026	349,456	-	29,772	319,684	31,710
Loan Payable OWDA #3297, payable in 50 semiannual installments of $3,104 starting July 1, 2001, including interest at 6.39%, due January, 2026	42,001	-	3,581	38,420	3,814
Loan Payable OWDA #3874, payable in 50 semiannual installments of $7,864 starting January 1, 2004, including interest at 4.28%, due July, 2028	141,676	-	9,768	131,908	10,190
Loan Payable OWDA #3910, payable in 50 semiannual installments of $6,226 starting January 1, 2004, including interest at 4.28%, due July, 2028	112,161	-	7,733	104,428	8,067
Loan Payable OWDA #4056, payable in 50 semiannual installments of $22,038 starting January 1, 2005, including interest at 4.16%, due July, 2029	426,238	-	26,618	399,620	27,737

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Due Within One Year
Loan Payable OWDA #4279, payable in 50 semiannual installments of $3,182 starting January 1, 2006, including interest at 4.0%, due July, 2030	65,896	-	3,765	62,131	3,918
Loan Payable OWDA #4566 payable in 50 semiannual installments of $16,517 starting January 1, 2007, including interest at 4.09%, due July, 2031	358,654	-	18,554	340,100	19,320
Loan Payable OWDA #6589 payable in 20 semiannual installments of $48,532 starting July 1, 2015, including interest at 3.82%, due January, 2025	663,683	-	72,398	591,285	75,189
LGIF Loan payable in quarterly installments of $10,000 starting April 30, 2016 including interest at 0% until loan is paid off.	357,844	-	40,000	317,844	40,000
Ohio Water & Sewer Rotary Loan	272,330	-	-	272,330	-
Net Pension Liabilities	25,809	7,799	-	33,608	-
Compensated Absences	-	649	-	649	649
Totals	**$4,704,128**	**$ 8,448**	**$ 770,188**	**$ 3,942,388**	**$ 671,230**

NOTE I – CURRENT AND LONG-TERM DEBT – Continued

Future principal and interest payments on all OWDA loans and the LGIF loan are as follows:

Year Ending	OWDA Loans			LGIF Loan		
December 30,	Principal	Interest	Total	Principal	Interest	Total
2019	449,527	131,480	581,007	40,000	-	40,000
2020	361,531	106,405	467,936	40,000	-	40,000
2021	344,564	87,345	431,909	40,000	-	40,000
2022	332,600	69,675	402,275	40,000	-	40,000
2023	336,657	53,408	390,065	40,000	-	40,000
2024-2028	753,980	93,698	847,678	77,844	-	77,844
2029-2032	108,518	5,653	114,171	-	-	-
Total	$ 2,687,377	$ 547,664	$ 3,235,041	$ 277,844	$ -	$ 277,844

In connection with the OWDA loans, the District has pledged future revenues to repay this debt. The loans are payable through their final maturities solely from operating and certain nonoperating revenues received during the course of business. Revenues available for these loans for 2018 and 2017 were $672,001 and $716,302, respectively. Principal and interest payments totaled $826,284 (including interest subsidy payments) and $946,062 for the years 2018 and 2017, respectively. The coverage ratios for these loans were 0.81 and 0.75 for the years ended December 31, 2018 and 2017, respectively.

On February 18, 2016, the District was notified by the Ohio Water Development District (OWDA) that they had 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 was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy in 2018 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated $89,229 of additional interest subsidies through 2031 in the following amounts annually:

2019	15,332
2020	22,328
2021	17,495
2022	12,889
2023	9,608
2024	6,252
2025	3,290
2026	1,117
2027	440
2028	278
2029	128
2030	50
2031	22
Total	$89,229

NOTE J – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting https://www.opers.org/investmenst/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS)

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30

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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

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

The District's contractually required contribution to OPERS was $11,310 for 2018 and $7,714 for 2017 respectively. Of this amount, $0 was reported as a payroll related liability as the entire amount was paid during 2018.

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

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

	2018 OPERS	2017 OPERS
Proportion of the Net Pension Liability/Asset - Prior Year	0.000148%	0.000149%
Proportion of the Net Pension Liability/Asset - Current Year	0.000460%	0.000148%
Change in Proportionate Share	0.000312%	-0.000001%
Proportionate Share of the Net Pension Liability	$ 72,165	$ 33,608
Pension Expnese	$ 32,297	$ 7,789

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

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

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

	2018 OPERS	2017 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$ 74	$ 46
Differences between projected and actual investment earnings	-	5,005
Changes of assumptions	8,624	5,331
Changes in proportion	32,758	384
Contributions subsequent to the measurement date	11,310	7,715
Total	$ 52,766	$ 18,481

	OPERS	OPERS
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	$ (1,422)	$ (200)
Differences between projected and actual investment earnings	(15,493)	-
Total	$ (16,915)	$ (200)

$11,310 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS
2019	$ 23,304
2020	14,426
2021	(6,822)
2022	(6,367)
	$ 24,541

NOTE J – DEFINED BENEFIT PENSION PLANS - Continued

Actuarial Assumptions - OPERS

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67:

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

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

Discount Rate

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

Asset Class	Target Allocation for 2017	Weighted Average Long Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following table presents the District proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$128,147	$72,165	$25,493

NOTE J – DEFINED BENEFIT PENSION PLANS -Continued

Actuarial Assumptions – OPERS - Continued

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

NOTE K - DEFINED BENEFIT OPEB PLANS

Post- GASB 75 Implementation

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on the accrual basis of accounting.

Ohio Public Employees Retirement System

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

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System - Continued

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2017 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. 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, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care.

The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2017. Effective, January 2018, the portion of employer contributions allocated to health care was 0.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The District's contributions for health care for the years ended December 31, 2018, 2017 and 2016 were approximately $0, $593 and $383 respectively. The full amount has been contributed for 2018, 2017 and 2016.

NOTE K - DEFINED BENEFIT OPEB PLANS – Continued

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

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

	2018 OPERS
Proportion of the Net OPEB Liability/Asset - Prior Year	0.000360%
Proportion of the Net OPEB Liability/Asset - Current Year	0.000430%
Change in Proportionate Share	0.000070%
Proportionate Share of the Net OPEB Liability	$ 46,695
OPEB Expense	$ 6,186

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

	2018 OPERS
Deferred Outflows of Resources:	
Differences between expected and actual economic experience	$ 36
Changes of assumptions	3,400
Changes in proportion	4,783
Total	$ 8,219
	OPERS
Deferred Inflows of Resources:	
Differences between projected and actual investment earnings	3,478
Total	$ 3,478

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

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

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

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

	OPERS
Year Ending December:	
2019	$ 3,059
2020	3,059
2021	(509)
2022	(868)
	$4,741

Actuarial Assumptions - OPERS

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – OPERS - Continued

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

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The OPERS primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

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

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions –OPERS - Continued

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

Discount Rate

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

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
District's proportionate share of the net OPEB liability	$62,036	$46,695	$34,284

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

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – OPERS - Continued

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$44,677	$46,695	$48,779

Postemployment Benefits Pre-GASB 75 Implementation

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

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

NOTE K - DEFINED BENEFIT OPEB PLANS - Continued

Postemployment Benefits Pre-GASB 75 Implementation - Continued

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

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

Substantially all of the District's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was $593, $383, and $1,044, respectively. The full amount has been contributed for 2017, 2016 and 2015.

NOTE L – CONTINGENT LIABILTIES

The District's general legal counsel is Spitler Huffman, LLP, Rossford, Ohio.

Pending or Threatened Litigation – During the years ended December 31, 2018 and 2017, the District had no pending contingent liabilities of which management is aware.

Contractually Assumed Obligations – To Counsel's knowledge, the District has assumed contractual obligations only with regard to the financing of its planning and construction activities for the construction of water systems. No claim against these contractual obligations has been made or is anticipated that would result in an unfavorable outcome to the District.

Claims and Assessments – To Counsel's knowledge, there are no unasserted claims and/or assessments which, if asserted, would have a reasonable possibility of an unfavorable outcome with a material effect upon the financial condition of the District.

NOTE M – CHANGES IN ACCOUNTING PRINCIPLES

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

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

Net position, December 31, 2017 - As previously stated	$13,759,810
District's Share of Beginning Plan Net OPEB Liability	(36,361)
District's Share of 2017 Employer Contributions	593
Net position, December 31, 2017 - As restated	13,724,042

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

NOTE N – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employment benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

Allen Water District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Five Years (1)

	2018	2017	2016	2015	2014
Total plan pension liability	$ 102,273,912,351	$ 99,817,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	$ 15,688,061,327	$ 22,708,299,469	$ 17,321,260,626	$ 12,061,117,624	$ 11,788,697,166
District's proportion of the net pension liability	0.000460%	0.000148%	0.000149%	0.000139%	0.000139%
District's proportionate share of the net pension liability	$ 72,165	$ 33,608	$ 25,809	$ 16,765	$ 16,386
District's covered-employee payroll	$ 59,346	$ 19,125	$ 52,200	$ 51,225	$ 52,762
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.60%	175.73%	49.44%	32.73%	31.06%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.10%	86.50%	86.40%

(1) Information prior to 2014 is not available.
Amounts presented as of the District's measurement date which is the prior year.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 11,310	$ 7,715	$ 2,295	$ 6,264	$ 6,147	$ 6,859	$ 6,119	$ 5,982	$ 5,883	$ 6,405
Contributions in relation to the contractually required contribution	(11,310)	(7,715)	(2,295)	(6,264)	(6,147)	(6,859)	(6,119)	(5,982)	(5,883)	(6,405)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 80,786	$ 59,346	$ 19,125	$ 52,200	$ 51,225	$ 52,762	$ 61,190	$ 59,820	$ 67,234	$ 82,645
Contributions as a percentage of covered employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%

Notes to Required Supplementary Information - Pension

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

Changes of Assumptions (OPERS):
Amounts reporting beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below.

	2017	2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Inreases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual entry age	Individual entry age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For male, Healthy Annuitant Mortality Tables were used adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality Tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled mortality tables are determined by applying the MP-2015 mortality improvements scale to the above described tables.

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

Allen Water District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Two Years (1)

	2018	**2017**
Total plan OPEB liability	$ 23,678,097,060	$ 21,980,827,536
Plan net position	12,818,833,665	11,880,487,863
Net OPEB liability	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00043000%	0.00036000%
District's proportionate share of the net OPEB liability	$ 46,695	$ 36,361
District's covered-employee payroll	$ 59,346	$ 19,125
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	78.68%	190.12%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

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

Allen Water District

Required Supplementary Information

Schedule of the District's OPEB Contributions

Ohio Public Employees Retirement System

Last Three Years (1)

	2018	2017	2016
Contractually required contribution	$ -	$ 593	$ 383
Contributions in relation to the contractually required contribution	-	(593)	(383)
Contribution deficiency (excess)	$ -	$ -	$ -
District covered-employee payroll	$ 80,786	$ 59,346	$ 19,125
Contributions as a percentage of covered-employee payroll	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

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

Changes of Assumptions (OPERS): There were no changes in assumptions affecting the OPERS plan for the plan year ended December 31, 2017.

OHIO AUDITOR OF STATE
KEITH FABER

One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Allen Water District
Allen County
3230 North Cole Street
Lima, Ohio 45801

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 Allen Water District, Allen County, (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 3, 2020 wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

September 3, 2020

ALLEN WATER DISTRICT
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Significant Deficiency – Accuracy of Financing Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were identified in the December 31, 2019 statements:

- Assessments receivable and interest income were understated by $90,074; and
- Cash flows from capital and related financing activities - special assessments collections was overstated by $90,074, and cash flows from capital and related financing activities - special assessment interest income was understated by $90,074.

The following error was identified in the December 31, 2018 statements:

- Cash flows from capital and related financing activities – intergovernmental was undertstated by $64,838, and cash flows from capital and related financing activities - OWDA interest payments were overstated by $64,838.

The accompanying financial statements have been adjusted to correct these errors.

Other errors ranging from $1,318 to $17,169 that were not material to the financial statements were identified, but not adjusted in the accompanying financial statements.

In addition, the notes to the financial statement required revisions including but not limited to updating the 2019 cash note to indicate Allen County is the fiscal agent, correcting the interest amounts in the 2019 debt principal and interest table, and corrections to the pension and other post-employment benefits notes for 2019 and 2018. Also some revisions were required to be made the management’s discussion and analysis and the required supplementary information.

Financial reporting errors may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements. The errors discussed above may be due to the lack of or failure of existing accuracy and completeness controls over financial reporting. The District should establish and implement procedures to prevent these errors from occurring in subsequent years.

OFFICIALS’ RESPONSE:

The District takes all recommendations very seriously and will meet with our consultant to ensure that these matters are properly addressed for future financial statement reporting. We will commit additional time during the report review process to ensure that all financial reporting matters are covered prior to the issuance of our financial statements.

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OHIO AUDITOR OF STATE
KEITH FABER

ALLEN WATER DISTRICT

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 10/20/2020

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