

BURR OAK REGIONAL WATER DISTRICT

ATHENS COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017





88 East Broad Street
Columbus, Ohio 43215
IPARepoort@ohioauditor.gov
(800) 282-0370

Members of the Board
Burr Oak Regional Water District
23554 Jenkins Dam Rd
Glouster, OH 45732

We have reviewed the *Independent Auditor's Report* of Burr Oak Regional Water District, Athens County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 19, 2020

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**BURR OAK REGIONAL WATER DISTRICT
ATHENS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Burr Oak Regional Water District, Athens County, Ohio (the District), which comprise the statement of net position as of December 31, 2018 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 10 to the financial statements, during the year ended December 31, 2018, the District adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. We did not modify our opinion regarding this matter.

Other Matters

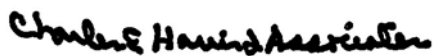
The accompanying statement of net position of Burr Oak Regional Water District as December 31, 2017, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended were not audited, reviewed, or compiled by us and, accordingly, we do not express an 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 June 26, 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.



Charles E. Harris & Associates, Inc.

June 26, 2020

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

The following discussion provides a summary overview of the financial activities of the Burr Oak Regional Water District ("the District") for the years ended December 31, 2018 and 2017. The information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$23,277,705 and \$23,025,794 as of December 31, 2018 and 2017, respectively.
- Net position increased by \$532,625 in 2018 and increased by \$600,226 in 2017.
- Operating revenues decreased by \$12,232 (.44%) and increased by \$3,617 (.13%) and operating expenses increased by \$115,973 (5.04%) and increased by \$109,104 (7.98%) in 2018 and 2017, respectively.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

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

The Statements of Revenues, Expenses and Changes in Net Position provide information on the District's operations over the past 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.

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Athens County, Ohio
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(Unaudited)

STATEMENTS OF NET POSITION

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

(Table 1)
Net Position

	<u>2018</u>	<u>2017</u>	<u>Difference</u>	<u>2016</u>	<u>Difference</u>
Current and Other Assets	\$ 13,094,076	\$ 12,337,720	\$ 756,356	\$ 11,418,417	\$ 919,303
Capital Assets, Net	18,803,816	19,271,746	(467,930)	19,870,244	(598,498)
Total Assets	<u>31,897,892</u>	<u>31,609,466</u>	<u>288,426</u>	<u>31,288,661</u>	<u>320,805</u>
Deferred Outflows of Resources	144,551	264,335	(119,784)	198,511	65,824
Long Term Liabilities	8,143,849	8,396,802	(252,953)	8,576,003	(179,201)
Current and Other Liabilities	484,233	441,799	42,434	475,346	(33,547)
Total Liabilities	<u>8,628,082</u>	<u>8,838,601</u>	<u>(210,519)</u>	<u>9,051,349</u>	<u>(212,748)</u>
Deferred Inflows of Resources	136,656	9,406	127,250	10,255	(849)
Net Position					
Net Investment in Capital Assets	11,203,873	11,348,155	(144,282)	11,593,636	(245,481)
Unrestricted	12,073,832	11,677,639	396,193	10,831,932	845,707
Total Net Position	<u><u>\$ 23,277,705</u></u>	<u><u>\$ 23,025,794</u></u>	<u><u>\$ 251,911</u></u>	<u><u>\$ 22,425,568</u></u>	<u><u>\$ 600,226</u></u>

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

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability 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

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(Unaudited)

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 \$23,025,794 to \$22,745,080.

As noted earlier, the net position may serve as a useful indicator of financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,277,705 as of December 31, 2018, of which \$11,203,873 is for net investment in capital assets; compared to an excess of \$23,025,794 as of December 31, 2017.

The largest portion of the District's net position is reflected in its cash and certificates of deposit, and its capital assets, less accumulated depreciation and related debt outstanding. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirement.

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.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

For the years ended December 31, 2018 and 2017, total assets of the District increased by \$288,426 and \$320,805, respectively, primarily due to an increase in cash which was partially offset by a decrease in capital assets, net. The increases in cash are primarily due to revenues exceeding expenses for both 2018 and 2017. The decreases in capital assets, net are primarily due to depreciation expense for both 2018 and 2017. Total liabilities as of December 31, 2018 decreased for the District by \$210,519 and as of December 31, 2017 decreased by \$212,748. For 2018 the change was primarily due to the GASB 75 restatement as well as a reduction of debt and for 2017 the change was primarily due to a reduction of debt.

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

	<u>2018</u>	<u>2017</u>	<u>Difference</u>	<u>2016</u>	<u>Difference</u>
Operating Revenues	\$ 2,797,031	\$ 2,809,263	\$ (12,232)	\$ 2,805,646	\$ 3,617
Operating Expenses (Excluding Depreciation)	1,574,023	1,482,233	91,790	1,379,106	103,127
Depreciation	843,062	818,879	24,183	812,902	5,977
Total Operating Expenses	<u>2,417,085</u>	<u>2,301,112</u>	<u>115,973</u>	<u>2,192,008</u>	<u>109,104</u>
Operating Income	379,946	508,151	(128,205)	613,638	(105,487)
Non-Operating Revenues	183,491	124,548	58,943	113,308	11,240
Non-Operating Expenses	(30,812)	(32,473)	1,661	(34,122)	1,649
Changes in Net Position	<u>532,625</u>	<u>600,226</u>	<u>(67,601)</u>	<u>692,824</u>	<u>(92,598)</u>
Net Position at Beginning of Year *	<u>22,745,080</u>	<u>22,425,568</u>	<u>319,512</u>	<u>21,732,744</u>	<u>692,824</u>
Net Position at End of Year	<u>\$ 23,277,705</u>	<u>\$ 23,025,794</u>	<u>\$ 251,911</u>	<u>\$ 22,425,568</u>	<u>\$ 600,226</u>

*As restated for GASB 75, see Note 10 for additional information.

Operating revenues consist of user charges for water consumption. Operating expenses reflect the cost of providing these services. For the years ended December 31, 2018 and 2017:

- Operating revenue decreased \$12,232 (.44%) and increased \$3,617 (.13%) in 2018 and 2017, respectively.
- Operating expenses increased by \$115,973 (5.04%) in 2018 primarily due to increases in personnel expenses. Operating expenses increased by \$109,104 (7.98%) in 2017 primarily due to increases in personnel expenses, as well as increases in professional fees.

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Management's Discussion and Analysis
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CAPITAL ASSETS

The District had \$41,830,043 invested in capital assets (before depreciation) at the end of 2018. This amount increased from 2017 by \$353,061 (0.85%) due to the purchase of a truck, a dump truck and bed, a line relocation and several other items. The District had \$18,803,816 invested in net capital assets (after depreciation) at the end of 2018. This amount is a decrease of \$467,930 (2.43%) from the previous year and is primarily due to depreciation expense which was partially offset by the additions.

The District had \$41,476,982 invested in capital assets (before depreciation) at the end of 2017. This amount increased from 2016 by \$186,757 (0.45%) due to the purchase of a truck, an equipment trailer, a line relocation and several other items. The District had \$19,271,746 invested in net capital assets (after depreciation) at the end of 2017. This amount is a decrease of \$598,498 (3.02%) from the previous year and is primarily due to depreciation expense which was partially offset by the additions.

(Table 3)
Capital Assets at December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 260,900	\$ 260,900	\$ 239,980
Construction in Progress	90,241	27,058	8,685
Land Improvements	27,920	27,920	25,033
Water Systems	11,222,353	11,193,967	11,124,967
Buildings	10,304,068	10,298,819	10,278,894
Groundwater Plant	12,841,047	12,841,047	12,817,701
Wellfield	1,750,757	1,663,115	1,663,115
Perry County Expansion	2,484,295	2,484,295	2,484,295
Crooksville Line Expansion	1,560,815	1,560,815	1,560,815
Transportation Equipment	458,693	338,893	307,556
SCADA System	179,405	179,405	179,405
Machinery, Equipment, and Tools	624,544	575,743	580,748
Furniture and Fixtures	25,005	25,005	19,031
Totals Before Accumulated Depreciation	<u>41,830,043</u>	<u>41,476,982</u>	<u>41,290,225</u>
Accumulated Depreciation	<u>(23,026,227)</u>	<u>(22,205,236)</u>	<u>(21,419,981)</u>
Net Capital Assets	<u>\$18,803,816</u>	<u>\$19,271,746</u>	<u>\$19,870,244</u>

Additional information regarding capital assets can be found in Note 6 to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

DEBT

The District finances its construction primarily through the issuance of Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) loans. At December 31, 2018, the District had total debt outstanding of \$7,568,913 compared to \$7,923,591 at December 31, 2017 and \$8,276,608 at December 31, 2016. This represents a decrease of \$354,678 and \$353,017 in 2018 and 2017, respectively, from the repayment of the outstanding debt. Additional information regarding debt can be found in Note 7 to the basic financial statements.

(Table 4)
Outstanding Debt, at December 31

	2018	2017	2016
OWDA Loans	\$ 7,143,628	\$ 7,479,816	\$ 7,814,342
OPWC Loan	425,285	443,775	462,266
Total Long Term Debt	<u>7,568,913</u>	<u>7,923,591</u>	<u>8,276,608</u>
Less			
Current Maturities	<u>356,369</u>	<u>354,679</u>	<u>353,017</u>
Net Long Term Debt	<u><u>\$ 7,212,544</u></u>	<u><u>\$ 7,568,912</u></u>	<u><u>\$ 7,923,591</u></u>

CASH

Cash and cash equivalents on December 31, 2018 were \$12,849,196 and on December 31, 2017 were \$12,088,969.

CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Wendy Aichele, accountant of the Burr Oak Regional Water District, 23554 Jenkins Dam Road, Glouster, Ohio 45732. The e-mail address is wendyborwd@gmail.com

Burr Oak Regional Water District
Athens County, Ohio
Statements of Net Position
As of December 31, 2018 and 2017

	2018	Unaudited 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,849,196	\$ 12,088,969
Accounts Receivable, Net of Allowance for Doubtful Accounts	234,554	237,664
Prepaid Items	10,326	11,087
Total current assets	13,094,076	12,337,720
CAPITAL ASSETS		
Non-Depreciable Capital Assets	351,141	287,958
Depreciable Capital Assets, Net of Depreciation	18,452,675	18,983,788
Total Capital Assets	18,803,816	19,271,746
TOTAL ASSETS	31,897,892	31,609,466
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	121,253	264,335
OPEB	23,298	-
Total Deferred Outflows of Resources	144,551	264,335
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 32,042,443	\$ 31,873,801
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 50,580	\$ 44,927
Contracts Payable	31,030	-
Payroll Related Liabilities	31	7,733
Accrued Wages	11,223	8,460
Current Portion, Compensated Absences	35,000	26,000
Current Portion, OWDA Loans	337,878	336,188
Current Portion, OPWC Loans	18,491	18,491
Total current liabilities	484,233	441,799
LONG-TERM LIABILITIES		
Compensated Absences	150,522	146,414
Net Pension Liabilities	473,466	681,476
Net OPEB Liabilities	307,317	-
OWDA Loans	6,805,750	7,143,628
OPWC Loans	406,794	425,284
Net Long-Term Liabilities	8,143,849	8,396,802
TOTAL LIABILITIES	8,628,082	8,838,601
DEFERRED INFLOWS OF RESOURCES		
Pensions	113,763	9,406
OPEB	22,893	-
Total Deferred Inflows of Resources	136,656	9,406
NET POSITION		
Net Investment in Capital Assets	11,203,873	11,348,155
Unrestricted	12,073,832	11,677,639
Total Net Position	23,277,705	23,025,794
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 32,042,443	\$ 31,873,801

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens 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		
Water Sales	\$ 2,777,443	\$ 2,794,812
Tap, Application, and Reconnect Fees	2,650	2,635
Late Penalty Charges	2,829	3,314
Miscellaneous Revenues	14,109	8,502
Total Operating Revenues	2,797,031	2,809,263
OPERATING EXPENSES		
Personnel Expenses	740,703	671,886
Utilities and Telecommunications Expense	292,513	280,939
Maintenance and Operations	498,768	482,763
Office Expenses and Operation	10,190	6,256
Professional Fees	31,849	40,389
Depreciation	843,062	818,879
Total Operating Expenses	2,417,085	2,301,112
OPERATING INCOME	379,946	508,151
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue	180,491	115,706
Interest Expense	(30,812)	(32,473)
Gain on Disposal of Capital Assets	3,000	8,842
Total Non-Operating Revenues (Expenses)	152,679	92,075
Change in Net Position	532,625	600,226
NET POSITION - Beginning of Year - Restated	22,745,080	22,425,568
NET POSITION - End of Year	\$ 23,277,705	\$ 23,025,794

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	Unaudited 2017
CASH FLOWS FROM OPERATIONS		
Cash Received from Customers	\$ 2,800,141	\$ 2,800,627
Cash Payments to Suppliers for Goods and Services	(826,906)	(802,038)
Cash Payments to Employees for Services	(604,847)	(579,193)
Net Cash Provided By Operations	1,368,388	1,419,396
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	180,491	115,706
Net Cash Provided By Investing Activities	180,491	115,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(406,162)	(231,834)
Proceeds from Disposal of Capital Assets	3,000	20,295
Principal Payments on OWDA Loans	(336,188)	(334,526)
Principal Payments on OPWC Loan	(18,490)	(18,491)
Interest Paid on OWDA and OPWC Loans	(30,812)	(32,473)
Net Cash Used In Capital and Related Financing Activities	(788,652)	(597,029)
INCREASE IN CASH AND CASH EQUIVALENTS	760,227	938,073
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,088,969	11,150,896
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 12,849,196	\$ 12,088,969
CASH FLOWS FROM OPERATIONS		
Operating Income	\$ 379,946	\$ 508,151
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	843,062	818,879
Pension/OPEB Expense Adjustments Not Affecting Cash	127,687	84,080
(Increase) Decrease in:		
Accounts Receivable	3,110	(8,636)
Prepaid Items	761	27,406
Increase (Decrease) in:		
Accounts Payable	5,653	(19,097)
Compensated Absences Payable	13,108	19,725
Accrued payroll and Benefits	(4,939)	(11,112)
Net Cash Provided by Operating Activities	\$ 1,368,388	\$ 1,419,396

See accompanying notes to the basic financial statements.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 1 – NATURE OF ORGANIZATION

The Burr Oak Regional Water District, Athens County (the District), is a regional water district organized under the provision of the Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Athens County on September 27, 1999, after the Ohio Department of Natural Resources no longer wanted to operate the Burr Oak Water System. The State of Ohio formally transferred ownership, as well as all assets, of the Burr Oak Water System on October 21, 2000. The District operates under the direction of an eight-member Board of Trustees, from Athens, Hocking, Perry and Morgan Counties. The administrative staff consists of a District Manager and an Administrative Assistant, who are responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District sells water to eighteen satellite water systems, consisting of nine area villages, five water districts, three private associations, and the Ohio Department of Natural Resources Division of Parks and Recreation. The District also has approximately one hundred private tap customers.

The District's management believes the financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control. The District has no component units.

NOTE 2 – 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 governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

1. **Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, 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, liabilities, deferred inflows/outflows 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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 fiscal years ended December 31, 2018 and 2017, budgetary expenditures may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Encumbrances – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

4. **Cash and Investments**

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

5. **Accounts Receivable**

Customer accounts receivables are stated at face value, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through a provision for doubtful accounts charged as a reduction in revenue. Doubtful accounts are charged against the allowance when management believes the collectability of the account is unlikely.

6. **Capital Assets**

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized on construction projects until they are substantially completed. Interest incurred on debt as a result of obtaining capital assets is not capitalized. Donated assets are recorded at their estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

<u>Asset Class</u>	<u>Number of Years</u>
Buildings and Water Systems	40
Furniture and Fixtures	10
Office Equipment	5
Laboratory Equipment	10
Machinery Equipment	6
Park System, Tanks and Booster Stations	20
Tools and Equipment	10
Transportation Equipment	5
Land Improvements	10

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. **Capital Contributions**

Capital contributions are recorded by the District for receipts of capital grants or contributions from developers and customers. No capital contributions have been recognized in 2018 and 2017.

8. **Compensated Absences**

District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave is payable when used, or upon death or retirement. Vacation hours are accrued at different rates depending on the number of years of service of the respective employee. The annual vacation accruals range from 80 hours to 200 hours per year. The total maximum amount of vacation hours that an employee can accumulate ranges from 240 hours to 600 hours which is determined by his/her years of service. As for sick leave, this is accrued at a rate of 3.1 hours per pay with a maximum accrual amount of 1,040 hours. Accrued sick leave is paid out at 50% of the employee's regular rate of pay. Any employee discharged for cause receives none of their accumulated sick leave.

9. **Prepaid Expenses**

Prepaid expenses are those payments made to vendors for services that will benefit periods beyond the balance sheet date. These items are reported using the consumption method. A current asset is recorded at the time of payment, and an expense is recorded at the time the services are consumed.

10. **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.

11. **Estimates**

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

12. **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 water sales, tap, application, and reconnection fees, late penalty charges and miscellaneous revenues 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.

13. **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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

14. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note 8 and Note 9. 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 8 and Note 9).

15. Pensions

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 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS

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

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must 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;

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 3 – CASH AND INVESTMENTS - LEGAL REQUIREMENTS FOR DEPOSITS – Continued

4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018 and 2017, respectively, \$0 of the District's bank balances of \$12,852,640 and \$12,136,174 were exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

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

Investments – The District had no investments as of December 31, 2018 and 2017.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 4 - 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 accrued as a liability as employees receive 50% of their accrued sick leave upon termination or retirement. The vacation, personal and sick leave accruals as of December 31, 2018 and 2017 were \$185,522 and \$172,414, respectively.

NOTE 5 – 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 maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. The District has not had any significant reduction in insurance coverage from the prior year.

The District pays the State Workers' Compensation System a premium based on a rate of approximately \$.78 per every \$100 of salaries. The rate is calculated based on accident history and administrative costs. The District also provides health-care insurance coverage for its full-time employees and the full-time employees pay a share of the cost for this insurance.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 6 – CAPITAL ASSETS

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

	Ending Balance 12/31/17	Additions	Deletions	Ending Balance 12/31/18
Capital Assets, Not Being Depreciated				
Land	\$ 260,900	\$ -	\$ -	\$ 260,900
Construction in Progress	27,058	63,183	-	90,241
Total Capital Assets, Not Being Depreciated	287,958	63,183	-	351,141
Capital Assets Being Depreciated				
Land Improvements	27,920	-	-	27,920
Water Systems	11,193,967	28,386	-	11,222,353
Buildings	10,298,819	5,249	-	10,304,068
Groundwater Plant	12,841,047	-	-	12,841,047
Wellfield	1,663,115	87,642	-	1,750,757
Perry County Expansion	2,484,295	-	-	2,484,295
Crooksville Line Expansion	1,560,815	-	-	1,560,815
Transportation Equipment	338,893	141,871	(22,071)	458,693
SCADA System	179,405	-	-	179,405
Machinery, Equipment, & Tools	575,743	48,801	-	624,544
Furniture & Fixtures	25,005	-	-	25,005
Total Capital Assets, Being Depreciated	41,189,024	311,949	(22,071)	41,478,902
Less Accumulated Depreciation:				
Land Improvements	(9,999)	(2,792)	-	(12,791)
Water Systems	(7,623,762)	(246,123)	-	(7,869,885)
Buildings	(10,104,678)	(9,762)	-	(10,114,440)
Groundwater Plant	(2,159,522)	(321,026)	-	(2,480,548)
Wellfield	(291,014)	(50,478)	-	(341,492)
Perry County Expansion	(851,523)	(92,070)	-	(943,593)
Crooksville Line Expansion	(371,228)	(56,493)	-	(427,721)
Transportation Equipment	(194,034)	(44,924)	22,071	(216,887)
SCADA System	(29,630)	(4,690)	-	(34,320)
Machinery, Equipment, & Tools	(553,666)	(12,464)	-	(566,130)
Furniture & Fixtures	(16,180)	(2,240)	-	(18,420)
Total Accumulated Depreciation	(22,205,236)	(843,062)	22,071	(23,026,227)
Total Capital Assets Being Depreciated, Net	18,983,788	(531,113)	-	18,452,675
Total Capital Assets, Net	\$ 19,271,746	\$ (467,930)	\$ -	\$ 18,803,816

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 6 – CAPITAL ASSETS – Continued

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

	Ending Balance 12/31/16	Additions	Deletions	Ending Balance 12/31/17
Capital Assets, Not Being Depreciated				
Land	\$ 239,980	\$ 32,373	\$ (11,453)	\$ 260,900
Construction in Progress	8,685	19,653	(1,280)	27,058
Total Capital Assets, Not Being Depreciated	248,665	52,026	(12,733)	287,958
Capital Assets Being Depreciated				
Land Improvements	25,033	2,887	-	27,920
Water Systems	11,124,967	69,000	-	11,193,967
Buildings	10,278,894	19,925	-	10,298,819
Groundwater Plant	12,817,701	23,346	-	12,841,047
Wellfield	1,663,115	-	-	1,663,115
Perry County Expansion	2,484,295	-	-	2,484,295
Crooksville Line Expansion	1,560,815	-	-	1,560,815
Transportation Equipment	307,556	51,961	(20,624)	338,893
SCADA System	179,405	-	-	179,405
Machinery, Equipment, & Tools	580,748	7,995	(13,000)	575,743
Furniture & Fixtures	19,031	5,974	-	25,005
Total Capital Assets, Being Depreciated	41,041,560	181,088	(33,624)	41,189,024
Less Accumulated Depreciation:				
Land Improvements	(7,207)	(2,792)	-	(9,999)
Water Systems	(7,377,742)	(246,020)	-	(7,623,762)
Buildings	(10,095,035)	(9,643)	-	(10,104,678)
Groundwater Plant	(1,838,496)	(321,026)	-	(2,159,522)
Wellfield	(246,761)	(44,253)	-	(291,014)
Perry County Expansion	(759,456)	(92,067)	-	(851,523)
Crooksville Line Expansion	(314,736)	(56,492)	-	(371,228)
Transportation Equipment	(183,865)	(30,793)	20,624	(194,034)
SCADA System	(24,940)	(4,690)	-	(29,630)
Machinery, Equipment, & Tools	(557,803)	(8,863)	13,000	(553,666)
Furniture & Fixtures	(13,940)	(2,240)	-	(16,180)
Total Accumulated Depreciation	(21,419,981)	(818,879)	33,624	(22,205,236)
Total Capital Assets Being Depreciated, Net	19,621,579	(637,791)	-	18,983,788
Total Capital Assets, Net	\$ 19,870,244	\$ (585,765)	\$ (12,733)	\$ 19,271,746

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS

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

	Balance			Balance	Due Within
	12/31/2017*	Additions	Reductions	12/31/18	One Year
OWDA 4776 - Paid to Perry County	\$ 763,139	\$ -	\$ 31,984	\$ 731,155	\$ 32,305
OWDA 4915	183,818	-	8,753	175,065	8,753
OWDA 5266	4,991,353	-	212,398	4,778,955	212,398
OWDA 5054 - Paid to Village of Crooksville	500,358	-	19,936	480,422	20,135
OWDA 5069 - Paid to Village of Crooksville	111,318	-	4,947	106,371	4,948
OWDA 5871	929,830	-	58,170	871,660	59,339
OPWC CR22N	443,775	-	18,490	425,285	18,491
Net Pension Liabilities	681,476	-	208,010	473,466	-
Net OPEB Liabilities	284,830	22,487	-	307,317	-
Compensated Absences	172,414	13,108	-	185,522	35,000
Total	\$ 9,062,311	\$ 35,595	\$ 562,688	\$ 8,535,218	\$ 391,369

	Balance			Balance	Due Within
	12/31/2016	Additions	Reductions	12/31/2017*	One Year
OWDA 4776 - Paid to Perry County	\$ 794,805	\$ -	\$ 31,666	\$ 763,139	\$ 31,984
OWDA 4915	192,571	-	8,753	183,818	8,753
OWDA 5266	5,203,751	-	212,398	4,991,353	212,398
OWDA 5054 - Paid to Village of Crooksville	520,095	-	19,737	500,358	19,935
OWDA 5069 - Paid to Village of Crooksville	116,266	-	4,948	111,318	4,948
OWDA 5871	986,854	-	57,024	929,830	58,170
OPWC CR22N	462,266	-	18,491	443,775	18,491
Net Pension Liabilities	530,723	150,753	-	681,476	-
Net OPEB Liabilities	-	284,830	-	284,830	-
Compensated Absences	152,689	45,836	26,111	172,414	26,000
Total	\$ 8,960,020	\$ 481,419	\$ 379,128	\$ 9,062,311	\$ 380,679

As restated for GASB 75. See Note 10 for additional information.

In 2007, the District entered into an agreement with Perry County to repay an OWDA Loan 4776 for the Perry County Line Extension. The loan matures July 1, 2039 and has a one percent interest rate.

In 2008, the District received an OWDA Loan 4915 for the Tank #4 Waterline Replacement. The loan matures January 1, 2039 and has a zero percent interest rate.

In 2009, the District received an OWDA Loan 5266 for the Wellfield Project. The loan matures July 1, 2041 and has a zero percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to repay an OWDA Loan 5054 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a one percent interest rate.

In 2009, the District entered into an agreement with the Village of Crooksville to repay an OWDA Loan 5069 for the Crooksville Line Expansion. The loan matures July 1, 2040 and has a zero percent interest rate.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 7 – CURRENT AND LONG-TERM OBLIGATIONS – Continued

In 2011, the District received an OWDA Loan 5871 for the East Water Line and Tank Project. The loan matures January 1, 2032 and has a two percent interest rate.

In 2012, the District received an OPWC Loan CR22N for the replacement of Tank #2. The loan matures January 1, 2042 and has a zero percent interest rate.

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

Year Ending December 30,	OWDA Loans		
	Principal	Interest	Total
2019	\$ 337,878	\$ 29,123	\$ 367,001
2020	339,597	27,404	367,001
2021	341,345	25,659	367,004
2022	343,121	23,878	366,999
2023	344,928	22,071	366,999
2024-2028	1,752,864	82,143	1,835,007
2029-2033	1,647,675	34,373	1,682,048
2034-2038	1,441,177	11,441	1,452,618
2039-2042	595,043	471	595,514
Total	<u>\$ 7,143,628</u>	<u>\$ 256,563</u>	<u>\$ 7,400,191</u>

Future principal payments on the OPWC loan is as follows:

Year Ending December 30,	OPWC Loan Principal
2019	\$ 18,491
2020	18,491
2021	18,491
2022	18,491
2023	18,491
2024-2028	92,453
2029-2033	92,453
2034-2038	92,453
2039-2042	55,471
Total	<u>\$ 425,285</u>

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN

Net Pension Liability

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

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

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN - Continued

Net Pension Liability - Continued

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

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

Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of the plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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):

Burr Oak Regional Water District
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NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to 01/01/13 or eligible to retire ten years after 01/01/13	Members not in other Groups and members hired on or after 01/01/13
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

The District's contractually required contribution to OPERS was \$62,366 for fiscal year 2018 and \$53,535 for 2017 respectively. Of the 2018 fiscal year amount, \$0 was reported as a payroll related liability as of December 31, 2018 as the entire amount was paid during 2018. Of the 2017 fiscal year amount, \$7,458 of the contractually required contribution was reported as a payroll related liability.

Burr Oak Regional Water District
Athens County, Ohio
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For the Years Ended December 31, 2018 and 2017

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

The net pension liability reported as of December 31, 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	2017
	PERS	PERS
	<u> </u>	<u> </u>
Proportionate Share of the Net Pension Liability - Current Year	0.003018%	0.003001%
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.003001%</u>	<u>0.003064%</u>
Change in Proportionate Share	<u>0.000017%</u>	<u>-0.000063%</u>
Proportion of the Net Pension Liability	\$473,466	\$681,476
Pension Expense (Gain)	\$101,795	\$137,615

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	2017
	OPERS	OPERS
	<u> </u>	<u> </u>
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	\$ 484	\$ 924
Differences between projected and actual investment earnings	-	101,488
Changes of assumptions	56,582	108,090
Changes in proportion	1,821	298
Contributions subsequent to the measurement date	<u>62,366</u>	<u>53,535</u>
Total	<u>\$ 121,253</u>	<u>\$ 264,335</u>
	OPERS	OPERS
	<u> </u>	<u> </u>
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	\$ (9,331)	\$ (4,056)
Differences between projected and actual investment earnings	(101,647)	-
Changes in proportion	<u>(2,785)</u>	<u>(5,350)</u>
Total	<u>\$ (113,763)</u>	<u>\$ (9,406)</u>

Burr Oak Regional Water District
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NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN - Continued

\$62,366 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:

		<u>OPERS</u>	
Fiscal Year Ending December 31:			
2019	\$	40,796	
2020		(9,144)	
2021		(44,759)	
2022		(41,769)	
		\$	(54,876)

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, 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. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below for the OPERS Traditional Plan.

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.

Burr Oak Regional Water District
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Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN - Continued

Actuarial Assumptions – OPERS - Continued

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.

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:

<u>Asset Class</u>	<u>Target Allocation for 2017</u>	<u>Weighted Average Long Term Expected Real Rate of Return (Arithmetic)</u>
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	<u>100.00 %</u>	

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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 8 – DEFINED BENEFIT RETIREMENT PLAN - Continued

Actuarial Assumptions – OPERS - Continued

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s 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	\$840,754	\$473,466	\$167,258

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 9 – 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.

The 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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - DEFINED BENEFIT OPEB PLANS - Continued

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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 OPEB benefits to its eligible benefit recipients. District to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides the statutory District requiring public employers to fund post-retirement health care through their contributions to OPERS. 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. Beginning in 2018, health care is not being funded.

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

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

The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2017. Effective, January 2018, the portion of employer contributions allocated to health care was 0.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The District's contributions for health care for the fiscal years ended December 31, 2018, 2017 and 2016 were approximately \$0, \$4,116 and \$7,792 respectively. The full amount has been contributed for fiscal years 2018, 2017 and 2016.

Burr Oak Regional Water District
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NOTE 9 - 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, 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 payment, and interest accruals during the year. 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
	PERS
Proportionate Share of the Net Pension Liability - Current Year	0.002830%
Proportionate Share of the Net Pension Liability - Prior Year	0.002820%
Change in Proportionate Share Proportion of the Net Pension Liability	0.000010%
Pension Expense (Gain)	\$307,317 \$26,198

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

	2018
	PERS
Deferred Outflows of Resources	
Differences between expected and actual economic experience	\$ 239
Changes of assumptions	22,376
Change in proportions	683
Total	\$ 23,298
Deferred Inflows of Resources	
Differences between projected and actual investment earnings	\$ (22,893)
Total	\$ (22,893)

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - 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

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:

		<u>OPERS</u>	
Fiscal Year Ending December 31:			
2019	\$	5,416	
2020		5,416	
2021		(4,703)	
2022		(5,724)	
		<u>405</u>	
	\$	<u>405</u>	

Actuarial Assumptions - PERS

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.

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.

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

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 9 - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - 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 - Current Measurement Date	3.85%
Single Discount Rate - Prior Measurement Date	4.23%
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
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 long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

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

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
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NOTE 9 - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 percent and a municipal bond rate of 3.31 percent. 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 following table presents the District’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 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 (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease	Current	1% Increase
	<u>(2.85%)</u>	<u>Discount Rate (3.85%)</u>	<u>(4.85%)</u>
District's proportionate share of the net OPEB liability	\$408,284	\$307,317	\$225,636

Burr Oak Regional Water District
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For the Years Ended December 31, 2018 and 2017

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

Actuarial Assumptions – PERS - Continued

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

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

	Current Health Care Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
District's proportionate share of the net OPEB liability	\$294,037	\$307,317	\$321,035

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.

Burr Oak Regional Water District
Athens County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

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.

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 \$4,116, \$7,792 and \$7,783, respectively. The full amount has been contributed for 2017, 2016 and 2015.

NOTE 10 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 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	\$23,025,794
District’s Share of Beginning Plan Net OPEB Liability	(284,830)
District’s Share of 2017 Employer Contributions	<u>4,116</u>
Net position, December 31, 2017 - As restated	<u>\$22,745,080</u>

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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
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	0.003018%	0.003001%	0.003064%	0.003057%	0.003057%
District's proportionate share of the net pension liability	\$ 473,466	\$ 681,476	\$ 530,723	\$ 368,708	\$ 360,380
District's covered-employee payroll	\$ 411,808	\$ 389,475	\$ 388,992	\$ 376,117	\$ 374,692
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	114.97%	174.97%	136.44%	98.03%	96.18%
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 2013 is not available.
Amounts presented as of the District's measurement date which is the prior fiscal year.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 62,366	\$ 53,535	\$ 46,737	\$ 46,679	\$ 45,134	\$ 48,710	\$ 37,621	\$ 32,430	\$ 30,063	\$ 29,165
Contributions in relation to the contractually required contribution	<u>(62,366)</u>	<u>(53,535)</u>	<u>(46,737)</u>	<u>(46,679)</u>	<u>(45,134)</u>	<u>(48,710)</u>	<u>(37,621)</u>	<u>(32,430)</u>	<u>(30,063)</u>	<u>(29,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 445,471	\$ 411,808	\$ 389,475	\$ 388,992	\$ 376,117	\$ 374,692	\$ 376,210	\$ 324,300	\$ 343,577	\$ 376,323
Contributions as a percentage of covered employee payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%

Notes to Required Supplementary Information - Pension

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

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

Burr Oak Regional 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)

	<u>2017</u>	<u>2016</u>
Total plan OPEB liability	\$ 23,678,097,060	\$ 21,980,827,536
Plan net position	<u>12,818,833,665</u>	<u>11,880,487,863</u>
Net OPEB liability	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00283000%	0.00282000%
District's proportionate share of the net OPEB liability	\$ 307,317	\$ 284,830
District's covered-employee payroll	\$ 411,808	\$ 389,475
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	74.63%	73.13%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ 4,116	\$ 7,792
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(4,116)</u>	<u>(7,792)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered-employee payroll	\$ 445,471	\$ 411,808	\$ 389,475
Contributions as a percentage of covered-employee payroll	0.00%	1.00%	2.00%

(1) Information prior to 2015 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.

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

Burr Oak Regional Water District
Athens County
23554 Jenkins Dam Road
Glouster, Ohio 43732

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 Burr Oak Regional Water District, Athens County, (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated June 26, 2020, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits Other Than Pensions*. We also noted the 2017 financial statements were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

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.

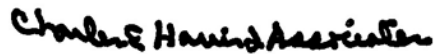
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
June 26, 2020

OHIO AUDITOR OF STATE KEITH FABER



BURR OAK REGIONAL WATER DISTRICT

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/1/2020

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

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