Perry & Associates
Certified Public Accountants, A.C.

SOUTHWEST LICKING COMMUNITY WATER AND SEWER DISTRICT
LICKING COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2019-2018

313 Second St.
Marietta, OH 45750
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1907 Grand Central Ave.
Vienna, WV 26105
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150 W. Main St., #A
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OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

Board of Trustees
Southwest Licking Community Water and Sewer District
P. O. Box 215
Etna, Ohio 43018

We have reviewed the *Independent Auditor's Report* of the Southwest Licking Community Water and Sewer District, Licking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 6, 2021

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SOUTHWEST LICKING COMMUNITY WATER AND SEWER DISTRICT
LICKING COUNTY

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LICKING COUNTY

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INDEPENDENT AUDITOR'S REPORT

November 13, 2020

Southwest Licking Community Water and Sewer District
Licking County
P.O. Box 215
Etna, Ohio 43018

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

As discussed in Note R to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the schedule of net pension and OPEB liabilities and pension and OPEB 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 November 13, 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.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of SWLCWSD exceeded liabilities and deferred inflows of resources on December 31, 2019 by $29.4 million and on December 31, 2018 by $24.7 million. The District's net position as shown on page 6 increased by $4.9 million (20.0%) in 2019 and increased by $5.2 million (26.3%) in 2018.

The District's operating revenues increased by $283 thousand (3.7%) in 2019 and increased by $171 thousand (2.3%) in 2018. Operating expenses (excluding depreciation and amortization expenses) increased $404 thousand (11.0%) in 2019 and increased $94 thousand (2.6%) in 2018. Depreciation and amortization expense increased by $411 thousand (15.9%) in 2019 and increased by $4 thousand (0.0%) in 2018. The District's non-operating revenues increased by $933 thousand (24.1%) in 2019 and increased by $48 thousand (1.2%) in 2018. The District's non-operating expenses increased by $305 thousand (21.8%) in 2019 and decreased by $457 thousand (24.7%) in 2018.

The District issued $3,493,954 of additional long-term debt in 2019 and $13,995,748 of additional long-term debt in 2018.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

The **Statements of Net Position** include all of the District's Assets, Liabilities and Deferred Inflows and Outflows of Resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. 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, capital and non-capital financing activities.

STATEMENTS OF NET POSITION

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

Table 1	2019	2018	Change Amount	2017	Change Amount
Current and Other Assets	$ 23,966,941	$ 22,354,973	$ 1,611,968	$ 22,093,174	$ 261,799
Restricted Assets	45,918	45,910	8	45,905	5
Capital Assets, Net	52,611,869	52,236,029	375,840	40,282,133	11,953,896
Total Assets	76,624,728	74,636,912	1,987,816	62,421,212	12,215,700
Deferred Outflows of Resources					
Pensions	739,244	345,443	393,801	670,148	(324,705)
OPEB	115,079	78,748	36,331	-	78,748
Total Deferred Outflows of Resources	854,323	424,191	430,132	670,148	(245,957)
Long Term Liabilities	35,921,644	36,171,942	(250,298)	27,878,600	8,293,342
Current and Other Liabilities	5,388,790	6,994,301	(1,605,511)	8,137,289	(1,142,988)
Total Liabilities	41,310,434	43,166,243	(1,855,809)	36,015,889	7,150,354
Deferred Inflows of Resources					
Unearned Special Assessments	6,728,117	6,787,116	(58,999)	6,746,493	40,623
Pensions	30,762	301,889	(271,127)	25,412	276,477
OPEB	2,762	60,347	(57,585)	-	60,347
Total Deferred Inflows of Resources	6,761,641	7,149,352	(387,711)	6,771,905	377,447
Net Position					
Net Investment in Capital Assets	16,110,520	11,809,419	4,301,101	6,814,335	4,995,084
Unrestricted	13,296,456	12,936,089	360,367	13,489,231	(553,142)
Total Net Position	$ 29,406,976	$ 24,745,508	$ 4,661,468	$ 20,303,566	$ 4,441,942

The net pension liability (NPL) is a liability reported by the District at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." As of fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revised accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

The District's net position as shown on page 4 increased by $4.7 million (18.8 %) in 2019 and increased by $.2 million (1.1%) in 2018.

The increase in 2019 is primarily due to the increase in total assets of approximately $2.0 million. The increase in total assets is mainly due to increases in net capital assets and an increase in cash. Cash increased due to cash receipts exceeding cash disbursements primarily due to the OWDA interest subsidy which reduced cash interest payments in 2019, and also due to special assessment collections in 2019. Net capital assets increased primarily due to capital asset additions which was partially offset by current year depreciation. Assessment receivables decreased due to assessment payments received. The decrease in total liabilities is primarily due to the decrease in notes payable as well as decreases in contracts payable and contractor retainage payable. .

The increase in 2018 is primarily due to the increase in total assets of approximately $12.2 million. The increase in total assets is mainly due to increases in net capital assets and an increase in cash which was partially offset by a decrease in intergovernmental receivables. Cash increased due to cash receipts exceeding cash disbursements primarily due to the OWDA interest subsidy which reduced cash interest payments in 2018 and also due to special assessment collections in 2018. Net capital assets increased primarily due to capital asset additions which was partially offset by current year depreciation. Assessment receivables decreased due to assessment payments received. The increase in total liabilities is primarily due to the increase in notes payable and net pension liabilities.

Unrestricted net position increased by $.4 million (2.8%) in 2019 and decreased by $.6 million (4.1%) in 2018. Unrestricted net assets may be used without constraints established by legal requirements. Cash and cash equivalents increased $2.6 million (20.9%) in 2019 and increased $1.5 million (14.0%) in 2018.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2019 *	2018**	Change	2017	Change
Operating Revenues	$ 8,015,996	$ 7,733,008	$ 282,988	$ 7,562,001	$ 171,007
Operating Expenses (Excluding Depreciation)	4,085,145	3,681,076	404,069	3,587,424	93,652
Depreciation	3,001,007	2,589,855	411,152	2,585,439	4,416
Total Operating Expenses	**7,086,152**	**6,270,931**	**815,221**	**6,172,863**	98,068
Operating Income/(Loss)	929,844	1,462,077	(532,233)	1,389,138	72,939
Non-Operating Revenues	4,798,365	3,865,422	932,943	3,817,774	47,648
Non-Operating Expenses	1,700,477	1,395,884	304,593	1,853,054	(457,170)
Capital Contributions	870,655	1,225,574	(354,919)	378,593	846,981
Changes in Net Position	**4,898,387**	**5,157,189**	**(258,802)**	**3,732,451**	**1,424,738**
Net Position at Beginning of Year	**24,508,589**	**19,588,319**	**4,920,270**	**16,571,115**	**3,017,204**
Net Position at End of Year	**$ 29,406,976**	**$ 24,745,508**	**$ 4,661,468**	**$ 20,303,566**	**$ 4,441,942**

* Net position restated. See Note R.
**As restated for GASB 75

Operating revenues increased $283 thousand (3.7%) in 2019. This increase was related to an increase in service revenues received from customers. Non-operating revenues increased $933 thousand (24.1%) in 2019. This increase is primarily due to an increase in tap fee income, capacity fee revenue and interest income offset by a decrease in debt service fee revenues and in intergovernmental revenue. The decrease in intergovernmental revenue is due to annualized amortization of the interest subsidy program implemented by the Ohio Water Development Authority. OWDA provided reductions in interest required to be paid on loans over a predetermined interest rate and this interest rate reduction is recognized as intergovernmental revenue in the accompanying statements with a corresponding charge to interest expense. The increase in tap fee revenue is the result of ongoing construction activity during 2019. These revenues remain a substantial source of revenues for 2019. There were capital contributions of $870,655 in 2019 (a decrease of $354,919 over 2018). The decrease was due to donated lines from developers in 2019 which were substantially less than in 2018, and the receipt of deferred special assessment revenue in 2019. Capital contributions will fluctuate from year to year depending on developer construction activity, grants available from the federal and state governments and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating revenues increased $171 thousand (2.3%) in 2018. This increase was related to an increase in service revenues received from customers. Non-operating revenues increased $48 thousand (1.2%) in 2018. This increase is primarily due to an increase in tap fee income and debt service fee revenues offset by a decrease in intergovernmental revenue and capacity fee revenue. The decrease in intergovernmental revenue is due to annualized amortization of the interest subsidy program implemented by the Ohio Water Development Authority. OWDA provided reductions in interest required to be paid on loans over a predetermined interest rate and this interest rate reduction is recognized as intergovernmental revenue in the accompanying statements with a corresponding charge to interest expense. The increase in tap fee revenue is the result of ongoing construction activity during 2018. These revenues remain a substantial source of revenues for 2018. There were capital contributions of $1,225,574 in 2018 (an increase of $846,981 over 2017). The increase was due to donated lines from developers in 2018 which were substantially more than in 2017, and the receipt of deferred special assessment revenue in 2018. Capital contributions will fluctuate from year to year depending on developer construction activity, grants available from the federal and state governments and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating expenses, excluding depreciation and amortization, increased $404 thousand (11.0%) in 2019. This increase was primarily due to an increase in pension/OPEB expense, repairs and maintenance expense and legal expense. This increase was partially offset by a decrease in chemical and operating supplies expense, health insurance and utilities during 2019. Depreciation and amortization expense increased from 2018. Interest expense increased because principal balances on loans for which payments were required during 2019 had increased. OWDA loan balances increased due to construction activity during 2019.

Operating expenses, excluding depreciation and amortization, increased $94 thousand (2.6%) in 2018. This increase was primarily due to an increase in legal expenses, health insurance and utilities. This increase was partially offset by a decrease in repairs and maintenance expense during 2018. Depreciation and amortization expense increased slightly from 2017. Interest expense decreased because principal balances on loans for which payments were required during 2018 had declined. However, OWDA loan balances increased due to construction activity during 2018. Payment on one OWDA loan will begin in 2019 as construction is completed.

CAPITAL ASSETS

The District had $127.4 million invested in capital assets (before accumulated depreciation of $74.8 million) at the end of 2019. This amount is an increase of $3.4 million (2.7%) from the previous year. Additional information regarding capital assets can be found in Note F to the basic financial statements.

Table 3

	2019	2018 *	Change Amount	2017	Change Amount
Capital Assets Not Being Depreciated:					
Land	$ 1,395,946	$ 948,964	$ 446,982	$ 928,964	$ 20,000
Land Easements	377,990	369,990	8,000	342,429	27,561
Construction in Progress	371,024	19,762,778	(19,391,754)	6,071,947	13,690,831
Total Capital Assets Not Being Depreciated	2,144,960	21,081,732	(18,936,772)	7,343,340	13,738,392
Capital Assets Being Depreciated (Net of Accumulated Depreciation):					
Land Improvements	2,546	4,575	(2,029)	6,604	(2,029)
Facilities, Lines & Related Infrastructure	46,676,462	27,612,700	19,063,762	29,764,849	(2,152,149)
Donated Developer Lines	2,794,647	2,646,891	147,756	2,558,064	88,827
Vehicles	340,549	223,051	117,498	218,166	4,885
Office Furniture and Equipment	36,606	30,942	5,664	36,650	(5,708)
General Equipment	610,323	599,538	10,785	346,277	253,261
Safety Equipment	5,776	6,980	(1,204)	8,183	(1,203)
Total Capital Assets Being Depreciated (Net)	50,466,909	31,124,677	19,342,232	32,938,793	(1,814,116)
Net Capital Assets	**$ 52,611,869**	**$ 52,206,409**	**$ 405,460**	**$ 40,282,133**	**$ 11,924,276**

* - Restated only in footnotes, not in prior year financial statements.

DEBT

The District issues long term debt to finance most of its construction. In prior years, the District would levy special assessments on the benefiting property owners and then obtain Ohio Water Development Authority Loans (OWDA) to assist in financing various water and sewer line projects. The special assessment collections are generally received over a twenty-five-year period and such collections are used to pay the debt service on the OWDA loans. The District also issued OWDA and Ohio Public Works Commission debt to assist in the construction of water and wastewater treatment facilities as well as other infrastructure of the District. The District uses tap fees and capacity fees to assist in paying off these debt issues. The District also has a debt service fee charged to sewer customers to assist in paying off any sewer related debt. Additional information regarding debt can be found in Note H to the Basic Financial Statements.

Table 4	2019	2018 *	Change Amount	2017	Change Amount
OWDA Loans	$ 34,085,408	$ 36,379,049	$ (2,293,641)	$ 28,343,956	$ 8,035,093
OPWC Loans	1,835,014	1,951,522	(116,508)	2,165,983	(214,461)
ODOT Loans	200,704	219,044	(18,340)	-	219,044
Rotary Commission Loans	346,941	346,941	-	346,941	-
Highland Hills Recoupment Agreement	225,835	225,835	-	225,835	-
Total Long Term Debt	36,693,902	39,122,391	(2,428,489)	31,082,715	8,039,676
Less: Current Maturities	4,304,341	5,018,185	(713,844)	5,155,223	(137,038)
Net Total Long Term Debt	$ 32,389,561	$ 34,104,206	$ (1,714,645)	$ 25,927,492	$ 8,176,714

* - Restated only in footnotes, not in financial statements.

CASH

Cash and cash equivalents on December 31, 2019 and 2018 were $14.9 million and $12.3 million, respectively. $46 thousand of these funds in 2019 and $46 thousand of these funds in 2018 were restricted for specific use. These accounts are for escrowed contractor bonds.

OTHER SIGNIFICANT INFORMATION

As described in Note S on page 40 of this report, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to either Christopher Gilcher, Interim General Manager, or Kathy Killen, Accountant, Southwest Licking Community Water and Sewer District, P.O. Box 215, Etna, Ohio 43018 or (740) 927-0410.

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

	2019	2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 14,815,269	$ 12,245,924
Petty cash	515	515
Accounts receivable - operating billings less allowance for doubtful accounts ($122,000 in 2019 and $128,000 in 2018)	871,564	859,480
Prepaid items	55,741	49,409
Meter inventory	62,930	35,906
Total current assets	15,806,019	13,191,234
Noncurrent assets:		
Restricted Assets:		
Cash in savings-contractor bonds	45,918	45,910
Total restricted assets	45,918	45,910
Capital Assets:		
Non-Depreciable Capital Assets	2,144,960	21,081,732
Depreciable Capital Assets	50,466,909	31,154,297
Total Capital Assets, Net	52,611,869	52,236,029
Other Assets:		
Assessment receivables-water	4,872,945	5,466,892
Assessment receivables-sewer	3,287,977	3,696,847
Total other assets	8,160,922	9,163,739
Total Assets	$ 76,624,728	$ 74,636,912
Deferred Outflows of Resources		
Pensions	739,244	345,443
OPEB	115,079	78,748
Total Deferred Outflows of Resources	$ 854,323	$ 424,191

(Continued on the following page)

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

LIABILITIES	**2019**	**2018**
Current Liabilities:		
Accounts payable	$ 232,166	$ 165,137
Deposits payable to developers	294,012	167,112
Contractor bonds payable	66,335	60,835
Contractor retainage payable	-	708,678
Contracts payable	8,151	814,585
Project bonds payable	405,014	17,012
Accrued employee wages	32,396	25,942
Note payable - current portion	4,304,341	4,991,625
Payroll taxes accrued and withheld	30,375	26,375
Compensated absences - current portion	16,000	17,000
Total current liabilities	5,388,790	6,994,301
Long Term Liabilities:		
Compensated absences	218,300	195,545
Net pension liability	2,295,934	1,254,574
Net OPEB liability	1,017,849	810,101
Notes and recoupment agreements payable	32,389,561	33,911,722
Total long term liabilities	35,921,644	36,171,942
Total Liabilities	41,310,434	43,166,243
Deferred Inflows of Resources:		
Pension	30,762	301,889
OPEB	2,762	60,347
Unearned special assessments	6,728,117	6,787,116
Total Deferred Inflows of Resources	6,761,641	7,149,352
Net Position:		
Net investment in capital assets	16,110,520	11,809,419
Unrestricted	13,296,456	12,936,089
Total net position	$ 29,406,976	$ 24,745,508

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

	2019	2018
OPERATING REVENUES		
Service revenues	$ 7,794,853	$ 7,503,086
Late charges	221,143	229,922
Total operating revenues	8,015,996	7,733,008
OPERATING EXPENSES		
Salaries	1,219,549	1,140,111
Training	16,866	6,678
Medicare tax expense	17,865	16,855
P.E.R.S. and pension expense	638,913	328,284
Workers compensation	2,769	5,361
Operations and testing	33,310	28,891
Chemicals and operating supplies	260,692	334,517
Biosolids processing	53,956	65,484
Refuse	5,543	3,503
Equipment rental	5,594	7,481
Repairs and maintenance	725,015	668,793
Engineering	8,211	7,313
Legal	218,684	102,034
Accounting	12,650	12,650
Audit fees	205	13,674
Advertising and communications	597	244
Insurance:		
General	58,481	50,728
Health	245,603	286,882
Life	2,150	1,471
Telephone	31,045	20,516
Utilities	406,956	461,521
Office supplies	19,870	14,240
Cleaning	5,941	4,070
Postage	40,567	37,272
Security	2,173	2,724
Uniform rental	5,087	11,658
Small tools	1,005	4,656
Vehicle expense	1,745	1,511
Dues and subscriptions	-	847
Licenses	43,825	41,107
General manager discretionary	278	-
Depreciation	3,001,007	2,589,855
Total operating expenses	7,086,152	6,270,931
Operating income	929,844	1,462,077
NON-OPERATING REVENUES (EXPENSES)		
Debt service fee income	1,007,717	1,072,095
Inspection revenue	2,240	1,815
Tap fee income	2,802,018	1,831,939
Capacity fee revenue	209,535	113,980
Interest income	460,321	419,206
Intergovernmental	300,317	408,054
Miscellaneous income	16,217	17,538
Gain on sale of capital assets	-	795
Interest expense	(1,700,477)	(1,395,884)
Total non-operating revenues (expenses)	3,097,888	2,469,538
Changes in net position before capital contributions	4,027,732	3,931,615
Capital contributions - special assessments	95,505	79,359
Capital contributions - intergovernmental	516,025	-
Capital contributions - developers	259,125	1,146,215
Changes in net position	4,898,387	5,157,189
Net position, beginning of year - Restated	24,508,589	19,588,319
Net position, end of year	$ 29,406,976	$ 24,745,508

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

	2019	2018
Cash Flows from Operating Activities:		
Cash received from customers	$ 8,003,912	$ 7,707,214
Cash payments to suppliers for goods and services	(1,924,623)	(1,883,721)
Cash payments for employee services and benefits	(1,604,376)	(1,580,009)
Net cash provided by operating activities	4,474,913	4,243,484
Cash Flows from Investing Activities:		
Interest income from savings	97,781	73,866
Cash Flows from Capital and Related Financing Activities:		
Payments for planning and construction, including capitalized interest	(3,925,478)	(13,872,454)
Assessment principal payments received	1,021,448	1,145,518
Proceeds from disposal of capital assets	-	795
Capital contributions-intergovernmental	516,025	-
Debt service fees collected	1,007,717	1,072,095
Increase in contractor bonds payable	5,500	5,000
Increase in project bonds payable	388,002	17,012
Increase in developer deposits	126,900	65,557
Purchase of equipment and furniture	(97,603)	(303,381)
Purchase of vehicle	(154,772)	(35,960)
Purchase of land easements	(8,000)	(27,561)
Purchase of land	(446,982)	(20,000)
Construction loan proceeds	3,274,910	13,995,748
Principal repayments on loans	(5,703,399)	(6,175,116)
Interest repayments on loans	(1,400,159)	(987,830)
Assessment interest income	362,540	345,340
Inspection, capacity, tap fee and miscellaneous income	3,030,010	1,965,272
Net cash used for capital and related financing activities	(2,003,341)	(2,809,965)
Net increase in cash and cash equivalents	2,569,353	1,507,385
Cash and cash equivalents at beginning of year	12,292,349	10,784,964
Cash and cash equivalents at end of year	$ 14,861,702	$ 12,292,349

(Continued on following page)

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

	2019	2018
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 929,844	$ 1,462,077
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	3,001,007	2,589,855
Pension expense adjustments not affecting cash	376,432	111,532
OPEB expense adjustments not affecting cash	113,832	76,453
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(12,084)	(25,794)
(Increase) in prepaid items	(6,332)	(615)
(Increase) in meter inventory	(27,024)	2,574
Increase in accounts payable (operating)	67,029	16,432
Increase in compensated absences	21,755	3,661
Increase in accrued wages, benefits and payroll taxes	10,454	7,309
Total adjustments	3,545,069	2,781,407
Net cash provided by operating activities	$ 4,474,913	$ 4,243,484

Non-cash transactions:

	2019	2018
Acquisition of capital assets through developer donations	$ 259,125	$ 1,146,215
Intergovernmental revenue - interest subsidy	$ 300,318	$ 651,934
Interest expense - interest subsidy	$ (300,318)	$ (651,934)

The Notes to the Basic Financial Statements are an integral part of this statement.

NOTE A - NATURE OF ORGANIZATION

Southwest Licking Community Water & Sewer District (hereafter referred to as SWLCWSD) was created, during late 1989, by the Court of Common Pleas of Licking County to provide water and sewer services to the residents of Licking County in accordance with the provisions of Section 6119.et.seq of the Revised Code. SWLCWSD is managed by a Board consisting of three (3) appointed trustees.

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

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles 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 SWLCWSD 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. SWLCWSD 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 outflows and inflows of resources, net position, revenues, and expenses. This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which SWLCWSD 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 SWLCWSD 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 those costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Basis of Accounting**
The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. The proprietary fund is accounted for on a flow of economic resources basis and all assets, liabilities, deferred outflows and deferred inflows of resources associated with the operation are included on the statements of net position.

3. **Budgetary Process**
Annually, the SWLCWSD adopts an operating budget (prepared in accordance with accounting principles generally accepted in the United States of America) which does not include capital acquisition and related depreciation expense.

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

5. **Accounts Receivable**
Accounts receivable are shown at their net realizable value. The water shut-off policy, implemented in full force on January 1, 1995, specifies the details of collections for both water and sewer delinquent accounts. Note that uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted. SWLCWSD has recorded an allowance for doubtful accounts for fiscal years 2019 and 2018. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to revenues is recorded during the year that the accounts are determined to be potentially uncollectible.

6. **Restricted Assets**
A restricted savings account was established for contractor bonds as discussed in the footnote entitled "CASH IN SAVINGS". These assets are shown as restricted as they cannot be used for general SWLCWSD purposes.

7. **Capital Assets**
Capital assets costs are stated at cost (except see next paragraph referring to donated developer lines) and are depreciated over the estimated useful lives of the assets from 7 years to 50 years depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest. In prior years, the District capitalized all assets. In more recent years, the District has maintained a capital asset threshold of $1,000.

   Donated developer lines are stated at acquisition value based on developer documentation, and are depreciated over 50 years. Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized. The planning costs for proposed projects consist of capitalized interest and the engineering, legal and administrative planning costs, which are not allocated to specific projects currently in construction. If the proposed project begins construction, the respective planning costs will be depreciated. If the proposed project does not enter construction, respective planning costs will be expensed. General administrative, legal, engineering, and other costs, which cannot be directly allocated to specific projects, are proportionately allocated to operations and planning/construction for projects serviced during that time frame.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. **Provision for Income Tax**

SWLCWSD operates as a public water-sewer system exempt from federal income tax under Internal Revenue Code Section 501(c) (1).

10. **Inventory of Materials and Supplies**

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

11. **Cash and Cash Equivalents**

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposits are reported at cost. In 2019 and 2018, SWLCWSD's investment consisted of a repurchase agreement.

12. **Vacation, Sick Leave and Other Compensated Absences**

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

13. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For SWLCWSD, these revenues are service revenues and late charges for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or service that is the primary activity of the fund.

14. **Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The District did not have restricted net position for 2019 or 2018.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. 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 I and Note J. 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 I and Note J)

16. Pensions and Other Postemployment Benefits (OPEB)

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

NOTE C - CASH IN SAVINGS

A separate escrow savings account was established to maintain the contractor bonds' balance due on the construction of the water and sewer lines. The account is a non-interest bearing account; therefore, interest is not due to the contractor. The balance at December 31, 2019 and 2018 was $45,918 and $45,910, respectively and these amounts are not reflected in Note D.

NOTE D - DEPOSITS AND INVESTMENTS

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

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

Interim deposits 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.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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

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

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

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

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

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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. 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).

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. SWLCWSD's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2019, SWLCWDS's bank balance of $1,026,826 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2018, SWLCWDS's bank balance of $1,032,076 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments

As of December 31, 2019 and December 31, 2018, SWLCWSD had the following investments and maturities:

	2019		2018	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	$ 14,040,859	0	$ 11,465,688	0
Total Fair Value	$ 14,040,859		$ 11,465,688	

Interest rate risk – In accordance with the investment policy, SWLCWSD manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SWLCWSD limits their investments to repurchase agreements.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. SWLCWSD's investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. SWLCWSD has invested 100% in investments with no weighted maturity.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the SWLCWSD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The SWLCWSD's repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in SWLCWSD's name.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting.*

NOTE E - INTEREST INCOME

Interest income came from the following sources:

	2019	2018
Interest income from repurchase agreements and savings accounts	$ 97,781	$ 73,866
Interest income from assessments, accrued and collected	362,540	345,340
Total interest income	$ 460,321	$ 419,206

NOTE F – CAPITAL ASSETS

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

	Ending Balance 12/31/18	Additions	Deletions	Ending Balance 12/31/19
Capital Assets, Not Being Depreciated				
Land	$ 948,964	$ 446,982	$ -	$ 1,395,946
Land Easements	369,990	8,000	-	377,990
Construction in Progress	19,762,778	2,322,177	(21,713,931)	371,024
Total Capital Assets, Not Being Depreciated	21,081,732	2,777,159	(21,713,931)	2,144,960
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure*	95,237,650	21,831,740	-	117,069,390
Donated Developer Lines	5,563,169	259,125	-	5,822,294
Vehicles	391,143	154,772	-	545,915
Office Furniture and Equipment	299,679	11,997	-	311,676
General Equipment	1,352,568	85,606	-	1,438,174
Safety Equipment	37,442	-	-	37,442
Total Capital Assets, Being Depreciated	102,913,651	22,343,240	-	125,256,891
Less Accumulated Depreciation:				
Land Improvements	(27,425)	(2,029)	-	(29,454)
Facilities, Lines & Related Infrastructure	(67,624,950)	(2,767,978)	-	(70,392,928)
Donated Developer Lines	(2,916,278)	(111,369)	-	(3,027,647)
Vehicles	(168,092)	(37,274)	-	(205,366)
Office Furniture and Equipment	(268,737)	(6,333)	-	(275,070)
General Equipment	(753,030)	(74,821)	-	(827,851)
Safety Equipment	(30,462)	(1,204)	-	(31,666)
Total Accumulated Depreciation	(71,788,974)	(3,001,008)	-	(74,789,982)
Total Capital Assets Being Depreciated, Net	31,124,677	19,342,232	-	50,466,909
Total Capital Assets	$ 52,206,409	$ 22,119,391	$(21,713,931)	$ 52,611,869

* As restated. See Note R.

NOTE F – CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal 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	$ 928,964	$ 20,000	$ -	$ 948,964
Land Easements	342,429	27,561	-	369,990
Construction in Progress	6,071,947	13,879,000	(188,169)	19,762,778
Total Capital Assets, Not Being Depreciated	7,343,340	13,926,561	(188,169)	21,081,732
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	94,999,062	268,208	-	95,267,270
Donated Developer Lines	5,365,359	197,810	-	5,563,169
Vehicles	355,183	35,960	-	391,143
Office Furniture and Equipment	299,679	-	-	299,679
General Equipment	1,049,187	303,381	-	1,352,568
Safety Equipment	37,442	-	-	37,442
Total Capital Assets, Being Depreciated	102,137,912	805,359	-	102,943,271
Less Accumulated Depreciation:				
Land Improvements	(25,396)	(2,029)	-	(27,425)
Facilities, Lines & Related Infrastructure	(65,234,213)	(2,390,737)	-	(67,624,950)
Donated Developer Lines	(2,807,295)	(108,983)	-	(2,916,278)
Vehicles	(137,017)	(31,075)	-	(168,092)
Office Furniture and Equipment	(263,029)	(5,708)	-	(268,737)
General Equipment	(702,910)	(50,120)	-	(753,030)
Safety Equipment	(29,259)	(1,203)	-	(30,462)
Total Accumulated Depreciation	(69,199,119)	(2,589,855)	-	(71,788,974)
Total Capital Assets Being Depreciated, Net	32,938,793	(1,784,496)	-	31,154,297
Total Capital Assets	$ 40,282,133	$ 12,142,065	$ (188,169)	$ 52,236,029

NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE

Account receivable balances at December 31, 2019 and 2018 for operating billings are as follows:

	2019	**2018**
Current	$ 871,213	$ 859,002
Over 30 days	-	1,260
Over 60 days	12,291	16,462
Over 90 days	110,060	110,756
Gross Receivables	993,564	987,480
Less: Allowance for Doubtful Accounts	(122,000)	(128,000)
Net Accounts Receivable	$ 871,564	$ 859,480

NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE (Continued)

Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances at December 31, 2019 and 2018, are deferred agricultural property assessments and the related accrued interest receivable. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a deferred inflow of resources account that is called unearned special assessments. The time frame of collection is undeterminable. The assessment accounts receivable balances at December 31, 2019 and December 31, 2018 are $8,160,922 and $9,163,739, respectively.

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS

The current and long-term debt listed are planning and construction loans with Ohio Public Works Commission (O.P.W.C.) (Issue II), Ohio Water Development Authority (O.W.D.A.), and the Rotary Commission. In addition, recoupment agreements have been established with one developer for the oversizing portion of donated lines, of which costs are considered the responsibility of SWLCWSD. The recoupment agreements are payable in monthly increments of $2,300 for each tap fee received by SWLCWSD for a customer within the development. The Highland Hills agreement incurs 9.25% interest per annum, calculated monthly on the outstanding balance, and originally was scheduled to be forgiven on August 31, 2001 (even if outstanding debt exists). During 2001, the agreement was extended an additional five years to August 31, 2006. In 2006, the agreement was extended indefinitely.

SWLCWSD has seven (7) interest free loans from the Ohio Public Works Commission. Each loan requires semiannual payments for a term of twenty (20) years. Loan CQ021 for $248,600 was used to finance Cleveland Road/Mink Street sanitary sewer improvements. The loan commenced in 1999 and was paid off during 2019. Loan CQ23D for $500,000 was used to assist in the Phase I-A Wastewater Treatment Plant expansion. The loan commenced in 2002 and will mature July 1, 2022. Loan CQ24E is in the amount of $733,000 and was used to assist in the Phase I-B Wastewater Treatment Plant expansion. The loan commenced in 2004 and will mature July 1, 2024. Loan CQ06M for $529,142 was used to finance the York Road/Refugee Road Pump Station Upgrade. The loan commenced in 2010 and will mature January 1, 2031. Loan CQ25N for $39,481 was used to finance the Columbia Road Pump Station Elimination Project, began in 2012 and will mature July 1, 2032. Loan CQ32P for $1,388,390 was used to rehabilitate the Annette/Summit Road Pump Station. The loan commenced in 2014 and will mature July 1, 2044. Loan CQ39Q for $287,375 was used to finance the York Road Wellfield Improvements. The loan commenced in 2016 and will mature January 1, 2036. Loan CQ36R commenced in 2019 and will mature in twenty years. The loan was used to reimburse the Ohio Department of Transportation for work performed at Taylor Road. As of December 31, 2019 the loan was listed as pending with OPWC and had a balance of $20,252.

SWLCWSD has three (3) loans with the Rotary Commission used to finance construction of water and sewer lines for the Columbia Center, Etna S.R. 40, Ashcraft Acres, Pine Oak Estates, and Indian Hills sewer line projects. The outstanding balances of $106,351; $65,495; and $175,095 will be paid back to the Rotary Commission when properties within each project are taken out of agricultural district status. No payment schedule has been established for these loans.

In 2016, SWLCWSD obtained a SIB loan from the Ohio Department of Transportation (ODOT) which was used to finance infrastructure replacement and repairs of water and sewer lines for the I70/SR310 Interchange project. The total amount financed was $263,316.13. Payments of $17,108 are due twice a year in March and September. The loan is scheduled to mature in 2026.

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

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

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount Due Within One Year
O.W.D.A.	$ 36,379,049	$ 3,246,438	$ 5,540,079	$ 34,085,408	$ 4,210,661
O.P.W.C.	1,951,522	20,252	136,760	1,835,014	65,274
O.D.O.T.*	219,044	8,220	26,560	200,704	28,406
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Net Pension Liability	1,254,574	1,041,360	-	2,295,934	-
Net OPEB Liability	810,101	207,748	-	1,017,849	-
Compensated Absences	212,545	21,755	-	234,300	16,000
	$ 41,399,611	$ 4,545,773	$ 5,703,399	$ 40,241,985	$ 4,320,341

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Amount Due Within One Year
O.W.D.A.	$ 28,343,956	$ 13,995,748	$ 5,960,655	$ 36,379,049	$ 4,920,138
O.P.W.C.	2,165,983	-	214,461	1,951,522	71,487
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Net Pension Liability	1,744,224	-	489,650	1,254,574	-
Net OPEB Liability	725,204	84,897	-	810,101	-
Compensated Absences	208,884	20,895	17,234	212,545	17,000
	$ 33,761,027	$ 14,101,540	$ 6,682,000	$ 41,180,567	$ 5,008,625

*As restated. See Note R.

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest rate to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy in 2019 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated $681,172 of additional interest subsidies through 2034 in the following amounts annually:

2020	$205,448
2021	143,309
2022	92,969
2023	71,362
2024	50,637
2025	37,015
2026	23,327
2027	16,578
2028	12,097
2029	8,167
2030	6,797
2031	5,490
2032	4,119
2033	2,682
2034	1,175
Total	$681,172

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

Loan #	Payable To	Interest Rate	First Payment	Principal Term	Principal Due in 2020	Principal Due after 2020
2005	O.W.D.A.	5.90	7/1/1996	25 yrs.	$ 112,385	$ -
2093	O.W.D.A.	6.87	7/1/1997	25 yrs.	333,797	356,729
2094	O.W.D.A.	6.87	7/1/1997	25 yrs.	347,337	371,199
2095	O.W.D.A.	6.36	1/1/1998	25 yrs.	103,279	166,463
2096	O.W.D.A.	6.36	1/1/1998	25 yrs.	51,687	83,309
2099	O.W.D.A.	6.32	7/1/1999	25 yrs.	47,072	159,831
2101	O.W.D.A.	6.11	7/1/1999	25 yrs.	101,854	344,455
2103	O.W.D.A.	6.11	7/1/1999	25 yrs.	74,221	251,000
2174	O.W.D.A.	5.77	1/1/2002	25 yrs.	43,306	287,680
2930	O.W.D.A.	5.90	7/1/1996	25 yrs.	61,606	-
2956	O.W.D.A.	6.64	1/1/1997	25 yrs.	14,072	7,264
2957	O.W.D.A.	6.64	1/1/1997	25 yrs.	46,186	23,845
2969	O.W.D.A.	6.72	1/1/1997	25 yrs.	84,890	43,824
2970	O.W.D.A.	6.72	1/1/1997	25 yrs.	330,049	170,467
2971	O.W.D.A.	6.36	1/1/1997	25 yrs.	30,215	15,573
3040	O.W.D.A.	5.77	7/1/1996	25 yrs.	17,830	-
3063	O.W.D.A.	6.16	1/1/1996	25 yrs.	37,076	-
3064	O.W.D.A.	6.16	1/1/1996	25 yrs.	6,794	-
3079	O.W.D.A.	6.02	1/1/1996	25 yrs.	92,507	-
3080	O.W.D.A.	6.02	1/1/1996	25 yrs.	44,943	-
3105	O.W.D.A.	5.77	1/1/1996	25 yrs.	15,016	-
3106	O.W.D.A.	5.77	1/1/1996	25 yrs.	10,799	-
3279	O.W.D.A.	6.41	1/1/2002	25 yrs.	256,061	1,737,261
3682	O.W.D.A.	5.20	7/1/2004	25 yrs.	127,868	1,297,715
3683	O.W.D.A.	5.20	7/1/2004	25 yrs.	37,728	382,895
3756	O.W.D.A.	3.59	1/1/2005	20 yrs.	422,305	1,602,217
3912	O.W.D.A.	4.28	1/1/2005	25 yrs.	96,798	1,011,475
3944	O.W.D.A.	4.35	1/1/2005	25 yrs.	19,902	208,681
4314	O.W.D.A.	3.99	7/1/2006	25 yrs.	80,648	1,008,686
4315	O.W.D.A.	3.99	1/1/2007	25 yrs.	61,288	813,404
4316	O.W.D.A.	3.99	1/1/2007	20 yrs.	43,334	271,509
4437	O.W.D.A.	3.99	7/1/2006	25 yrs.	13,522	169,122
5008	O.W.D.A.	4.79	7/1/2010	25 yrs.	53,338	1,084,495
5009	O.W.D.A.	4.79	7/1/2010	25 yrs.	48,518	986,478
5392	O.W.D.A.	0.00	7/1/2010	20 yrs.	7,309	65,777
7701	O.W.D.A.	3.14	7/1/2019	25 yrs.	672,855	16,953,393
8158	O.W.D.A.	0.00	7/1/2019	30 yrs.	262,266	-
Subtotal					$ 4,210,661	$ 29,874,747

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

Loan #	Payable To	Interest Rate	First Payment	Principal Term	Principal Due in 2020	Principal Due after 2020
CQ23D	O.P.W.C.	0.00	1/1/2003	20 yrs.	$ 8,670	$ 43,348
CQ24E	O.P.W.C.	0.00	1/1/2005	20 yrs.	12,118	96,938
CQ06M	O.P.W.C.	0.00	7/1/2011	20 yrs.	13,229	277,799
CQ25N	O.P.W.C.	0.00	1/1/2013	20 yrs.	987	23,688
CQ32P	O.P.W.C.	0.00	7/1/2014	30 yrs.	23,085	1,085,000
CQ39Q	O.P.W.C.	0.00	7/1/2016	20 yrs.	7,185	222,715
CQ36R	O.P.W.C.	0.00	2/7/2019	20 yrs.	-	20,252
Rotary		0.00		20 yrs.	-	106,351
Rotary		0.00		20 yrs.	-	175,095
Rotary		0.00		20 yrs.	-	65,495
Highland Hills Recoupment		9.25		Indefinite	-	225,835
Ohio Department of Transportation		3.00	9/2/2016	10 yrs.	28,406	172,298
Subtotal for this page					93,680	2,514,814
Subtotal from previous page					4,210,661	29,874,747
Total					$ 4,304,341	$ 32,389,561

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

Year Ending	OWDA Loans			OPWC Loans		
December 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 3,275,540	$ 817,990	$ 4,093,530	$ 65,272	$ -	$ 65,272
2021	2,763,769	628,779	3,392,548	130,544	-	130,544
2022	1,773,849	472,073	2,245,922	130,544	-	130,544
2023	1,771,846	383,722	2,155,568	121,874	-	121,874
2024	1,330,098	296,493	1,626,591	113,204	-	113,204
2025-2029	4,103,372	715,941	4,819,313	444,850	-	444,850
2030-2034	1,178,420	132,597	1,311,017	348,303	-	348,303
2035-2039	-	-	-	252,404	-	252,404
2040-2043	-	-	-	207,767	-	207,767
Total	$ 16,196,894	$ 3,447,595	$ 19,644,489	$ 1,814,762	$ -	$ 1,814,762

Year Ending	ODOT Loan			Total		
December 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 28,406	$ 5,810	$ 34,216	$ 3,369,218	$ 823,800	$ 4,193,018
2021	29,265	4,951	34,216	2,923,578	633,730	3,557,308
2022	30,150	4,066	34,216	1,934,543	476,139	2,410,682
2023	31,061	3,155	34,216	1,924,781	386,877	2,311,658
2024	32,000	2,216	34,216	1,475,302	298,709	1,774,011
2025-2029	49,822	1,503	51,325	4,598,044	717,444	5,315,488
2030-2034	-	-	-	1,526,723	132,597	1,659,320
2035-2039	-	-	-	252,404	-	252,404
2040-2043	-	-	-	207,767	-	207,767
Total	$ 200,704	$ 21,701	$ 222,405	$ 18,212,360	$ 3,469,296	$ 21,681,656

The Highland Hills Recoupment is not shown on the above amortization schedule as there is no fixed repayment schedule for this outstanding loan. The Rotary Loans are also not shown on the above amortization schedule as there is no fixed repayment schedule for these outstanding loans.

OWDA loan #7701, OWDA loan #8158 and OPWC loan #CQ36R are not included in the above amortization schedule as the loans are still open as of December 31, 2019.

In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is $19,644,489 at December 31, 2019 and $25,317,098 at December 31, 2018. For the year ended December 31, 2019 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: $3,930,851 and $6,940,238, and 0.57, respectively. For the year ended December 31, 2018 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: $4,051,932 and $6,648,485, and 0.58, respectively.

NOTE I - DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

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

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

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

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

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

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

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

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

The District's contractually required contribution to OPERS was $167,343 for fiscal year 2019 and $160,872 for 2018 respectively, of which the entire amount was paid during 2019 and 2018. Of this amount $22,991 and $21,423 were reported as a payroll liability for 2019 and 2018, respectively.

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

The net pension liability reported as of December 31, 2019 was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2019 OPERS	2018 OPERS
Proportion of the Net Pension Liability/Asset - Prior Year	0.00799700%	0.00768100%
Proportion of the Net Pension Liability/Asset - Current Year	0.00838300%	0.00799700%
Change in Proportionate Share	0.00038600%	0.00031600%
Proportionate Share of the Net Pension Liability	$ 2,295,934	$ 1,254,574
Pension Expense	$ 543,775	$ 272,404

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued

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

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

	2019 OPERS	2018 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$ 106	$ 1,281
Differences between projected and actual investment earnings	311,623	-
Changes of assumptions	199,867	149,930
Changes in proportion	60,305	33,360
Contributions subsequent to the measurement date	167,343	160,872
Total	$ 739,244	$ 345,443

	OPERS	OPERS
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	$ 30,146	$ 24,724
Differences between projected and actual investment earnings	-	269,341
Changes in proportion	616	7,824
Total	$ 30,762	$ 301,889

$167,343 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS
2020	$ 245,946
2021	121,355
2022	28,909
2023	144,929
	$ 541,139

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.

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued

Actuarial Assumptions - OPERS – Continued

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below for the OPERS Traditional Plan.

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

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

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued

Actuarial Assumptions – OPERS – Continued

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
District's proportionate share of the net pension liability	$3,391,762	$2,295,934	$1,385,291

NOTE J - DEFINED BENEFIT OPEB PLANS

Ohio Public Employees Retirement System

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

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

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

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

	2019 OPERS	2018 OPERS
Proportion of the Net OPEB Liability/Asset - Prior Year	0.00746000%	0.00718000%
Proportion of the Net OPEB Liability/Asset - Current Year	0.00780700%	0.00746000%
Change in Proportionate Share	0.00034700%	0.00028000%
Proportionate Share of the Net OPEB Liability	$ 1,017,849	$ 810,101
OPEB Expense	$ 113,832	$ 76,453

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

	2019 OPERS	2018 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$ 345	$ 631
Differences between projected and actual investment earnings	46,662	-
Changes of assumptions	32,816	58,984
Changes in proportion	35,256	19,133
Total	$ 115,079	$ 78,748

	OPERS	OPERS
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	$ 2,762	$ -
Differences between projected and actual investment earnings	$ -	$ 60,347
Total	$ 2,762	$ 60,347

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

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

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

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

	OPERS
Fiscal Year Ending December 31:	
2020	$ 58,075
2021	22,668
2022	8,067
2023	23,507
	$ 112,317

Actuarial Assumptions - PERS

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

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

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

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate	0.00	0.00
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
	17.00	5.57
Total	100.00 %	5.16 %

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

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

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

The following table presents the District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability	$1,302,208	$1,017,849	$791,708

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

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$978,373	$1,017,849	$1,063,313

NOTE K - RISK MANAGEMENT

The SWLCWSD is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the years ended December 31, 2019 and 2018 the SWLCWSD contracted for the following insurance coverage:

Property	$45,002,077
General Liability	2,000,000
Public Officials	1,000,000
Commercial Umbrella	5,000,000
Automobile	1,000,000
Employee Benefits Liability/Aggregate	1,000,000/$2,000,000

Vehicle policies include liability coverage for bodily injury and property damage. Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The SWLCWSD pays all elected officials' bonds. The SWLCWSD has not incurred significant reductions to insurance coverage from coverage in the prior years by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L - RELATED PARTY TRANSACTIONS

No related party transactions existed at December 31, 2019 and 2018.

NOTE M - CONTINGENT LIABILITIES

During the years ended December 31, 2019 and 2018 SWLCWSD was involved in litigation; however, management does not believe that the effect, if any, on the financial statements would be material.

NOTE N - DEBT SERVICE FEE

The SWLCWSD has a debt service fee to assist in meeting debt service requirement which was $11.95 per month per sewer customer during both 2019 and 2018. The proceeds of the fee are restricted to the payment of sewer debt service. During 2019 and 2018 the SWLCWSD collected $1,007,717 and $1,072,095 in debt service fees and expended approximately $3.7 million in 2019 and $4.1 million in 2018 in principal and interest payments on sewer related debt.

NOTE O - INSPECTION INCOME

Inspection income represents amounts charged to construction costs of projects for inspections performed by SWLCWSD employees. The income offsets operation expenses, including gross wages, payroll taxes, PERS expenses, and mileage.

NOTE P - MISCELLANEOUS INCOME

Miscellaneous income includes water hauling, contractor licenses, and other miscellaneous revenue.

NOTE Q - INTEREST EXPENSE

Interest expense for the water and sewer divisions represents the interest portion of construction loan payments to the Ohio Water Development Authority for water and sewer. Interest expense is detailed in the following schedule:

	2019	2018
OWDA- Water	$ 984,002	$ 501,496
OWDA- Sewer	716,475	894,388
Total interest expense	$ 1,700,477	$ 1,395,884

NOTE R – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

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

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

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

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

In the previous year a SIB loan with the Ohio Department of Transportation was omitted from the financial statements. The payments for the loan were originally recorded as additions to Capital Assets. The error was detected during the current fiscal year and the loan payments reclassified in Note F. The loan is now recognized retrospectively and has been restated in Note H to the financial statements. Net position has been adjusted accordingly.

Net position, January 1, 2019 - As previously stated	$24,745,508
ODOT SIB loan prior period adjustments (Note F and Note H)	(236,919)
Net position, January 1, 2019 - As restated	$24,508,589

NOTE S – SUBSEQUENT EVENT

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

The investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

NOTE T – CONTRACTUAL COMMITMENTS

2019 Commitments

Name of Vendor	Description of Project	Contract Amount	Expended as of 12/31/19	Remaining Balance
American Boring Inc	Construction Services for Reverse Osmosis Project	$ 878,781	$ -	$ 878,781
Strand Associates Inc	Hollow Rd Waterline Extension	$ 174,700	$ 105,595	$ 69,105
Shook Construction Inc.	Construction services for new Water Treatment Center	$ 13,879,831	$ 13,695,485	$ 184,346
Caldwell Tanks, Inc.	Construction services for new Elevated Storage Tank	$ 2,649,200	$ 2,590,790	$ 58,410
URS Corp Design/AECOM	Engineering services for new Water Treatment Center	$ 973,623	$ 973,623	$ -
CDM Smith Inc.	Engineering services for Elevated Water Storage Tank and Water CAD Model	$ 243,870	$ 219,270	$ 24,600
Poggemeyer Design Group	Construction observation services for new Water Treatment Center	$ 245,000	$ 207,861	$ 37,139
Geotechnical Consultants Inc.	Geotechnical and special inspection services and testing for the new Water	$ 150,000	$ 46,187	$ 103,813
Rock River Construction LTD	Refugee Road Water Line Improvements	$ 648,331	$ 648,331	$ -
Tribute Contracting & Consultants LLC	Summit Rd/Cable Rd Water Line Improvement	$ 1,588,417	$ 1,588,417	$ -

2018 Commitments

Name of Vendor	Description of Project	Contract Amount	Expended as of 12/31/18	Remaining Balance
Shook Construction Inc.	Construction services for new Water Treatment Center	$ 13,879,831	$ 11,521,579	$ 2,358,252
Caldwell Tanks, Inc.	Construction services for new Elevated Storage Tank	$ 2,649,200	$ 2,361,780	$ 287,420
URS Corp Design/AECOM	Engineering services for new Water Treatment Center	$ 959,400	$ 897,952	$ 61,448
CDM Smith Inc.	Engineering services for Elevated Water Storage Tank and Water CAD Model	$ 243,870	$ 214,425	$ 29,445
Poggemeyer Design Group	Construction observation services for new Water Treatment Center	$ 245,000	$ 179,596	$ 65,404
Prime A/E Group	Plan Report to plan for Waste Water Expansion	$ 46,500	$ 46,500	$ -
Geotechnical Consultants Inc.	Geotechnical and special inspection services and testing for the new Water	$ 150,000	$ 45,560	$ 104,440
Hydro-Dyne Engineering	Provision of the replacement screen for the Waste Water Treatment Plant	$ 174,987	$ 174,987	$ -
Rock River Construction LTD	Refugee Road Water Line Improvements	$ 641,942	$ 392,075	$ 249,867
Tribute Contracting & Consultants LLC	Summit Rd/Cable Rd Water Line Improvement	$ 1,517,773	$ 929,923	$ 587,850

REQUIRED SUPPLEMENTARY INFORMATION

Southwest Licking Community Water and Sewer District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Total plan pension liability	$ 108,264,577,647	$ 102,273,912,351	$ 99,817,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	80,876,605,054	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	$ 27,387,972,593	$ 15,688,061,327	$ 22,708,299,469	$ 17,321,260,626	$ 12,061,117,624	$ 11,788,697,166
District's proportion of the net pension liability	0.008383%	0.007997%	0.007681%	0.007504%	0.007460%	0.007460%
District's proportionate share of the net pension liability	$ 2,295,934	$ 1,254,574	$ 1,744,224	$ 1,299,787	$ 899,759	$ 879,437
District's covered payroll	$ 1,149,086	$ 996,131	$ 992,825	$ 949,142	$ 914,567	$ 850,254
District's proportionate share of the net pension liability as a percentage of its covered payroll	199.81%	125.94%	175.68%	136.94%	98.38%	103.43%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.10%	86.50%	86.40%

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

Southwest Licking Community Water and Sewer District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years (1)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 167,343	$ 160,872	$ 129,497	$ 119,139	$ 113,897	$ 109,748	$ 110,533	$ 97,602	$ 139,928	$ 190,915
Contributions in relation to the contractually required contribution	(167,343)	(160,872)	(129,497)	(119,139)	(113,897)	(109,748)	(110,533)	(97,602)	(139,928)	(190,915)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,195,307	$ 1,149,086	$ 996,131	$ 992,825	$ 949,142	$ 914,567	$ 850,254	$ 976,020	$ 1,399,280	$ 2,181,886
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%

Notes to Required Supplementary Information - Pension

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

Changes of Assumptions (OPERS): 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.

Southwest Licking Community Water and Sewer District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Three Years (1)

	2018	**2017**	**2016**
Total plan OPEB liability	$ 24,290,625,123	$ 23,678,097,060	$ 21,980,827,536
Plan net position	11,252,985,702	12,818,833,665	11,880,487,863
Net OPEB liability	13,037,639,421	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00780700%	0.00746000%	0.00718000%
District's proportionate share of the net OPEB liability	$ 1,017,849	$ 810,101	$ 725,204
District's covered-employee payroll	$ 1,149,086	$ 996,131	$ 992,825
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	88.58%	81.32%	73.04%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	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.

Southwest Licking Community Water and Sewer District

Required Supplementary Information

Schedule of the District's OPEB Contributions

Ohio Public Employees Retirement System

Last Four Years (1)

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ 9,957	$ 19,857
Contributions in relation to the contractually required contribution	-	-	(9,957)	(19,857)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District covered-employee payroll	$ 1,195,307	$ 1,149,086	$ 996,131	$ 992,825
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

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

Changes of Assumptions (OPERS): There were no changes in assumptions affecting the OPERS plan for the plan year ended December 31, 2018.

SUPPLEMENTARY INFORMATION

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Revenues, Expenses, Non-Operating Revenues (Expenses) and Capital Contributions - Water
For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Service revenues	$ 2,757,234	$ 2,612,805
Late charges	64,899	71,061
TOTAL OPERATING REVENUES	2,822,133	2,683,866
OPERATING EXPENSES		
Salaries	290,516	230,418
Training	4,583	1,550
Medicare tax expense	4,385	3,322
P.E.R.S. and pension expense	156,871	64,980
Workers compensation	912	1,063
Operations and testing	14,300	9,857
Chemicals and operating supplies	230,117	300,237
Equipment rental	1,417	790
Repairs and maintenance	252,831	192,049
Insurance:		
Health	81,017	77,128
Telephone	13,486	3,944
Utilities	170,315	173,458
Office supplies	3,632	1,077
Uniform rental	2,124	7,044
Small tools	440	1,316
Licenses	11,508	10,059
Cleaning	-	315
Security	43	60
Depreciation	1,046,191	758,423
TOTAL OPERATING EXPENSES	$ 2,284,688	$ 1,837,090
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS		
Capital contributions - special assessments	71,412	49,461
Capital contributions - intergovernmental	426,802	-
Capital contributions - developers	88,050	972,143
Gain on sale of capital assets	-	795
Inspection revenue	480	720
Tap fee income	1,479,713	884,179
Capacity revenue	99,555	40,310
Interest income	122,241	210,310
Intergovernmental revenue	97,584	142,308
Interest expense	(984,002)	(501,496)
Miscellaneous income	12,917	14,280
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	$ 1,414,752	$ 1,813,010

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Revenues, Expenses, Non-Operating
Revenues (Expenses) and Capital Contributions - Wastewater Treatment Plant
For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Service revenues	$ 5,037,619	$ 4,890,281
Late charges	156,244	158,861
TOTAL OPERATING REVENUES	5,193,863	5,049,142
OPERATING EXPENSES		
Salaries	205,636	198,982
Training	6,411	3,060
Medicare tax expense	2,988	2,879
P.E.R.S. and pension expense	107,958	56,214
Workers compensation	364	921
Operations and testing	19,010	19,034
Chemicals and operating supplies	12,911	14,998
Equipment rental	657	790
Repairs and maintenance	155,480	91,169
Biosolids Processing	53,956	65,484
Insurance:		
Health	30,253	39,467
Telephone	3,966	3,764
Utilities	158,571	194,813
Refuse	4,593	2,548
Office supplies	918	952
Uniform rental	762	2,896
Small tools	237	1,879
Dues and subscriptions	-	95
Licenses	6,549	6,891
Cleaning	1,361	315
Security	43	60
Depreciation	888,643	777,381
Capital Oulay	-	-
TOTAL OPERATING EXPENSES	$ 1,661,267	$ 1,484,592
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS		
Debt service fee income	1,007,717	1,072,095
Capital contributions - special assessments	24,093	29,898
Capital contributions - intergovernmental	89,223	-
Capital contributions - developers	171,075	174,072
Inspection revenue	1,760	1,095
Tap fee income	1,322,305	947,760
Capacity fee revenue	109,980	73,670
Interest income	338,080	208,896
Integovernmental	202,733	265,746
Interest expense	(716,475)	(894,388)
Miscellaneous income	3,300	3,258
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	$ 2,553,791	$ 1,882,102

Southwest Licking Community Water and Sewer District

Licking County, Ohio

Schedules of Expenses - Collection

For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING EXPENSES		
Salaries	$ 175,121	$ 177,893
Training	5,723	-
Medicare tax expense	2,555	2,640
P.E.R.S. and pension expense	86,667	83,417
Workers compensation	392	829
Chemicals and operating supplies	9,911	9,191
Equipment rental	458	790
Repairs and maintenance	291,506	366,574
Insurance:		
Health	11,304	34,122
Telephone	2,450	2,376
Utilities	78,070	93,250
Office supplies	81	388
Uniform rental	1,285	1,118
Small Tools	328	1,461
Licenses	718	206
Cleaning	1,238	315
Security	43	60
Depreciation	1,037,917	1,032,201
TOTAL OPERATING EXPENSES	$ 1,705,767	$ 1,806,831

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Expenses - Administration
For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING EXPENSES		
Salaries	$ 370,691	$ 365,757
Training	149	2,068
Medicare tax expense	5,422	5,618
P.E.R.S. and pension expense	198,959	74,204
Workers compensation	993	1,828
Refuse	950	955
Equipment rental	2,604	4,321
Repairs and maintenance	20,436	13,391
Engineering	8,211	7,313
Legal	218,684	102,034
Accounting	12,650	12,650
Audit fees	205	13,674
Advertising and communications	597	244
Insurance:		
General	58,481	50,728
Health	71,839	80,690
Life	2,150	1,471
Telephone	8,395	7,585
Office supplies	14,824	11,595
Uniform rental	190	90
Postage	40,567	37,272
Cleaning	2,104	2,810
Security	2,002	2,484
Vehicle expense	1,745	1,511
Dues and subscriptions	-	752
Licenses	25,050	23,951
Depreciation	8,029	7,822
TOTAL OPERATING EXPENSES	$ 1,075,927	$ 832,818

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Expenses - Engineering
For the Years Ended December 31, 2019 and 2018

	2019		2018	
OPERATING EXPENSES				
Salaries	$	177,585	$	167,061
Medicare tax expense		2,515		2,396
P.E.R.S. and pension expense		88,458		49,469
Workers compensation		108		720
Chemicals and operating supplies		7,753		10,091
Equipment Rental		458		790
Repairs and maintenance		4,762		5,610
Insurance:				
Health		51,190		55,475
Telephone		2,748		2,847
Office supplies		415		228
Uniform rental		726		510
Cleaning		1,238		315
Security		42		60
General manager discretionary		278		-
Depreciation		20,227		14,028
TOTAL OPERATING EXPENSES	$	358,503	$	309,600

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of SWLCWSD exceeded liabilities and deferred inflows of resources on December 31, 2018 by $24.7 million and on December 31, 2017 by $20.3 million. The District's net position increased by $5.2 million (26.3%) in 2018 and increased by $3.7 million (22.5%) in 2017.

The District's operating revenues increased by $171 thousand (2.3%) in 2018 and increased by $71 thousand (1.0%) in 2017. Operating expenses (excluding depreciation and amortization expenses) increased $94 thousand (2.6%) in 2018 and increased $578 thousand (19.2%) in 2017. Depreciation and amortization expense increased by $4 thousand (0.0%) in 2018 and increased by $21 thousand (0.8%) in 2017. The District's non-operating revenues increased by $48 thousand (1.2%) in 2018 and increased by $215 thousand (6.0%) in 2017. The District's non-operating expenses decreased by $457 thousand (24.7%) in 2018 and decreased by $130 thousand (6.6%) in 2017.

The District issued $13,995,748 of additional long-term debt in 2018 and $2,563,560 of additional long-term debt in 2017.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

The **Statements of Net Position** include all of the District's Assets, Liabilities and Deferred Inflows and Outflows of Resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. 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, capital and non-capital financing activities.

STATEMENTS OF NET POSITION

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

Table 1	**2018**	**2017**	**Change Amount**	**2016**	**Change Amount**
Current and Other Assets	$ 22,354,973	$ 22,093,174	$ 261,799	$ 21,104,598	$ 988,576
Restricted Assets	45,910	45,905	5	45,901	4
Capital Assets, Net	52,236,029	40,282,133	11,953,896	37,862,583	2,419,550
Total Assets	74,636,912	62,421,212	12,215,700	59,013,082	3,408,130
Deferred Outflows of Resources					
Pensions	345,443	670,148	(324,705)	504,679	165,469
OPEB	78,748	-	78,748	-	0
Total Deferred Outflows of Resources	424,191	670,148	(245,957)	504,679	165,469
Long Term Liabilities	36,171,942	27,878,600	8,293,342	30,614,585	(2,735,985)
Current and Other Liabilities	6,994,301	8,137,289	(1,142,988)	5,638,003	2,499,286
Total Liabilities	43,166,243	36,015,889	7,150,354	36,252,588	(236,699)
Deferred Inflows of Resources					
Unearned Special Assessments	6,787,116	6,746,493	40,623	6,668,944	77,549
Pensions	301,889	25,412	276,477	25,114	298
OPEB	60,347	-	60,347	-	0
Total Deferred Inflows of Resources	7,149,352	6,771,905	377,447	6,694,058	77,847
Net Position					
Net Investment in Capital Assets	11,809,419	6,814,335	4,995,084	3,519,593	3,294,742
Unrestricted	12,936,089	13,489,231	(553,142)	13,051,522	437,709
Total Net Position	$ 24,745,508	$ 20,303,566	$ 4,441,942	$ 16,571,115	$ 3,732,451

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $20,303,566 to $19,588,319

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

The District's net position increased by $5.2 million (26.3 %) in 2018 and increased by $3.7 million (22.5%) in 2017.

The increase in 2018 is primarily due to the increase in total assets of approximately $12.2 million. The increase in total assets is mainly due to increases in net capital assets and an increase in cash which was partially offset by a decrease in intergovernmental receivables. Cash increased due to cash receipts exceeding cash disbursements primarily due to the OWDA interest subsidy which reduced cash interest payments in 2018 and also due to special assessment collections in 2018. Net capital assets increased primarily due to capital asset additions which was partially offset by current year depreciation. Assessment receivables decreased due to assessment payments received. The decrease in total liabilities is primarily due to the decrease in notes payable and net pension liabilities.

The increase in 2017 is primarily due to the increase in total assets of approximately $3.4 million. The increase in total assets is mainly due to increases in net capital assets and an increase in cash which was partially offset by a decrease in intergovernmental receivables. Cash increased due to cash receipts exceeding cash disbursements primarily due to the OWDA interest subsidy which reduced cash interest payments in 2017 and also due to special assessment collections in 2017. Net capital assets increased primarily due to capital asset additions which was partially offset by current year depreciation. Assessment receivables decreased due to assessment payments received. The decrease in total liabilities is primarily due to the decrease in notes payable which was partially offset by the increase in net pension liabilities.

Unrestricted net position decreased by $.6 million (4.1%) in 2018 and increased by $.4 million (3.4%) in 2017 (excluding the restatement of beginning net position for GASB 75 implementation for 2017). Unrestricted net assets may be used without constraints established by legal requirements. Cash and cash equivalents increased $1.5 million (14.0%) in 2018 and increased $2.0 million (22.9%) in 2017.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2018	2017	Change	2016	Change
Operating Revenues	$ 7,733,008	$ 7,562,001	$ 171,007	$ 7,490,663	$ 71,338
Operating Expenses (Excluding Depreciation)	3,681,076	3,587,424	93,652	3,008,916	578,508
Depreciation	2,589,855	2,585,439	4,416	2,563,658	21,781
Total Operating Expenses	**6,270,931**	**6,172,863**	**98,068**	**5,572,574**	600,289
Operating Income/(Loss)	1,462,077	1,389,138	72,939	1,918,089	(528,951)
Non-Operating Revenues	3,865,422	3,817,774	47,648	3,602,679	215,095
Non-Operating Expenses	1,395,884	1,853,054	(457,170)	1,983,179	(130,125)
Capital Contributions	1,225,574	378,593	846,981	238,939	139,654
Changes in Net Position	**5,157,189**	**3,732,451**	**1,424,738**	**3,776,528**	**(44,077)**
Net Position at Beginning of Year*	**19,588,319**	**16,571,115**	**3,017,204**	**12,794,587**	**3,776,528**
Net Position at End of Year	**$ 24,745,508**	**$ 20,303,566**	**$ 4,441,942**	**$ 16,571,115**	**$ 3,732,451**

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

Operating revenues increased $171 thousand (2.3%) in 2018. This increase was related to an increase in service revenues received from customers. Non-operating revenues increased $48 thousand (1.2%) in 2018. This increase is primarily due to an increase in tap fee income and debt service fee revenues offset by a decrease in intergovernmental revenue and capacity fee revenue. The decrease in intergovernmental revenue is due to annualized amortization of the interest subsidy program implemented by the Ohio Water Development Authority. OWDA provided reductions in interest required to be paid on loans over a predetermined interest rate and this interest rate reduction is recognized as intergovernmental revenue in the accompanying statements with a corresponding charge to interest expense. The increase in tap fee revenue is the result of ongoing construction activity during 2018. These revenues remain a substantial source of revenues for 2018. There were capital contributions of $1,225,574 in 2018 (an increase of $846,981 over 2017). The increase was due to donated lines from developers in 2018 which were substantially more than in 2017, and the receipt of deferred special assessment revenue in 2018. Capital contributions will fluctuate from year to year depending on developer construction activity, grants available from the federal and state governments and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating revenues increased $71 thousand (1.0%) in 2017. This increase was related to an increase in service revenues received from customers. Non-operating revenues increased $215 thousand (6.0%) in 2017. This increase is primarily due to an increase in tap fee income and capacity fee revenues offset by a decrease in intergovernmental revenue and interest income. The decrease in intergovernmental revenue is due to annualized amortization of the interest subsidy program implemented by the Ohio Water Development Authority during 2017. OWDA provided reductions in interest required to be paid on loans over a predetermined interest rate and this interest rate reduction is recognized as intergovernmental revenue in the accompanying statements with a corresponding charge to interest expense. The increase in tap fee revenue is the result of ongoing construction activity during 2017. These revenues remain a substantial source of revenues for 2017. The decrease in interest income is due to the decrease in special assessments balances which resulted in less interest income during the fiscal year. There were capital contributions of $378,593 in 2017 (an increase of $139,654 over 2016). The increase was due to donated lines from developers in 2017 which were substantially more than in 2016, and the receipt of deferred special assessment revenue in 2017. Capital contributions will fluctuate from year to year depending on developer construction activity, grants available from the federal and state governments and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating expenses, excluding depreciation and amortization, increased $94 thousand (2.6%) in 2018. This increase was primarily due to an increase in legal expenses, health insurance and utilities. This increase was partially offset by a decrease in repairs and maintenance expense during 2018. Depreciation and amortization expense increased slightly from 2017. Interest expense decreased because principal balances on loans for which payments were required during 2018 had declined. However, OWDA loan balances increased due to construction activity during 2018. Payment on one OWDA loan will begin in 2019 as construction is completed.

Operating expenses, excluding depreciation and amortization, increased $578 thousand (19.2%) in 2017. This increase was primarily due to an increase in salaries, retirement expenses, and repairs and maintenance. Salaries increased due to filling a previously unfilled position and salary increases. Retirement expenses increased due to increases in pension liabilities which are based upon actuarial valuations. Repairs and maintenance increased due to additional work being required during 2017. Depreciation and amortization expense increased slightly from 2017. Interest expense decreased because principal balances decreased from the prior year.

CAPITAL ASSETS

The District had $124 million invested in capital assets (before accumulated depreciation of $71.8 million) at the end of 2018. This amount is an increase of $14.5 million (13.3%) from the previous year. Additional information regarding capital assets can be found in Note F to the basic financial statements.

Table 3

	2018	2017	Change Amount	2016	Change Amount
Capital Assets Not Being Depreciated:					
Land	$ 948,964	$ 928,964	$ 20,000	$ 914,738	$ 14,226
Land Easements	369,990	342,429	27,561	342,429	-
Construction in Progress	19,762,778	6,071,947	13,690,831	1,674,958	4,396,989
Total Capital Assets Not Being Depreciated	21,081,732	7,343,340	13,738,392	2,932,125	4,411,215
Capital Assets Being Depreciated (Net of Accumulated Depreciation):					
Land Improvements	4,575	6,604	(2,029)	8,633	(2,029)
Facilities, Lines & Related Infrastructure	27,642,320	29,764,849	(2,122,529)	32,145,762	(2,380,913)
Donated Developer Lines	2,646,891	2,558,064	88,827	2,315,405	242,659
Vehicles	223,051	218,166	4,885	143,873	74,293
Office Furniture and Equipment	30,942	36,650	(5,708)	43,868	(7,218)
General Equipment	599,538	346,277	253,261	271,173	75,104
Safety Equipment	6,980	8,183	(1,203)	1,744	6,439
Total Capital Assets Being Depreciated (Net)	31,154,297	32,938,793	(1,784,496)	34,930,458	(1,991,665)
Net Capital Assets	**$ 52,236,029**	**$ 40,282,133**	**$ 11,953,896**	**$ 37,862,583**	**$ 2,419,550**

DEBT

The District issues long term debt to finance most of its construction. In prior years, the District would levy special assessments on the benefiting property owners and then obtain Ohio Water Development Authority Loans (OWDA) to assist in financing various water and sewer line projects. The special assessment collections are generally received over a twenty-five-year period and such collections are used to pay the debt service on the OWDA loans. The District also issued OWDA and Ohio Public Works Commission debt to assist in the construction of water and wastewater treatment facilities as well as other infrastructure of the District. The District uses tap fees and capacity fees to assist in paying off these debt issues. The District also has a debt service fee charged to sewer customers to assist in paying off any sewer related debt. Additional information regarding debt can be found in Note H to the Basic Financial Statements.

Table 4	2018	2017	Change Amount	2016	Change Amount
OWDA Loans	$ 36,379,049	$ 28,343,956	$ 8,035,093	$ 31,461,258	$ (3,117,302)
OPWC Loans	1,951,522	2,165,983	(214,461)	2,308,956	(142,973)
Rotary Commission Loans	346,941	346,941	-	346,941	-
Highland Hills Recoupment Agreement	225,835	225,835	-	225,835	-
Total Long Term Debt	38,903,347	31,082,715	7,820,632	34,342,990	(3,260,275)
Less: Current Maturities	4,991,625	5,155,223	(163,598)	5,142,335	12,888
Net Total Long Term Debt	$ 33,911,722	$ 25,927,492	$ 7,984,230	$ 29,200,655	$ (3,273,163)

CASH

Cash and cash equivalents on December 31, 2018 and 2017 were $12.3 million and $10.8 million, respectively. $46 thousand of these funds in 2018 and $46 thousand of these funds in 2017 were restricted for specific use. These accounts are for escrowed contractor bonds.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to either Leo B. Conkel, Jr. PE, General Manager, or Kathy Killen, Accountant, Southwest Licking Community Water and Sewer District, P.O. Box 215, Etna, Ohio 43018 or (740) 927-0410.

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 12,245,924	$ 10,738,544
Petty cash	515	515
Intergovernmental Receivable	-	243,880
Accounts receivable - operating billings less allowance for doubtful accounts ($128,000 in 2018 and $150,000 in 2017)	859,480	833,686
Prepaid items	49,409	48,794
Meter inventory	35,906	38,480
Total current assets	13,191,234	11,903,899
Noncurrent assets:		
Restricted Assets:		
Cash in savings-contractor bonds	45,910	45,905
Total restricted assets	45,910	45,905
Capital Assets:		
Non-Depreciable Capital Assets	21,081,732	7,343,340
Depreciable Capital Assets	31,154,297	32,938,793
Total Capital Assets, Net	52,236,029	40,282,133
Other Assets:		
Assessment receivables-water	5,466,892	5,913,224
Assessment receivables-sewer	3,696,847	4,276,051
Total other assets	9,163,739	10,189,275
Total Assets	$ 74,636,912	$ 62,421,212
Deferred Outflows of Resources		
Pensions	345,443	670,148
OPEB	78,748	-
Total Deferred Outflows of Resources	$ 424,191	$ 670,148

(Continued on the following page)

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

LIABILITIES	2018	2017
Current Liabilities:		
Accounts payable	$ 165,137	$ 148,705
Deposits payable to developers	167,112	101,555
Contractor bonds payable	60,835	55,835
Contractor retainage payable	708,678	305,217
Contracts payable	814,585	2,079,866
Project bonds payable	17,012	-
Accrued employee wages	25,942	20,887
Accrued interest payable	-	243,880
Note payable - current portion	4,991,625	5,155,223
Payroll taxes accrued and withheld	26,375	24,121
Compensated absences - current portion	17,000	2,000
Total current liabilities	6,994,301	8,137,289
Long Term Liabilities:		
Compensated absences	195,545	206,884
Net pension liability	1,254,574	1,744,224
Net OPEB liability	810,101	-
Notes and recoupment agreements payable	33,911,722	25,927,492
Total long term liabilities	36,171,942	27,878,600
Total Liabilities	43,166,243	36,015,889
Deferred Inflows of Resources:		
Pension	301,889	25,412
OPEB	60,347	-
Unearned special assessments	6,787,116	6,746,493
Total Deferred Inflows of Resources	7,149,352	6,771,905
Net Position:		
Net investment in capital assets	11,809,419	6,814,335
Unrestricted	12,936,089	13,489,231
Total net position	$ 24,745,508	$ 20,303,566

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

	2018	2017
OPERATING REVENUES		
Service revenues	$ 7,503,086	$ 7,319,187
Late charges	229,922	242,814
Total operating revenues	7,733,008	7,562,001
OPERATING EXPENSES		
Salaries	1,140,111	1,142,607
Training	6,678	3,569
Medicare tax expense	16,855	21,199
P.E.R.S. and pension expense	328,284	410,725
Workers compensation	5,361	6,984
Operations and testing	28,891	31,864
Chemicals and operating supplies	334,517	281,814
Biosolids processing	65,484	66,228
Refuse	3,503	4,067
Equipment rental	7,481	5,699
Repairs and maintenance	668,793	751,993
Engineering	7,313	6,273
Legal	102,034	65,405
Accounting	12,650	24,700
Board designated expenses	-	80
Audit fees	13,674	-
Advertising and communications	244	1,691
Insurance:		
General	50,728	49,630
Health	286,882	211,352
Life	1,471	1,648
Telephone	20,516	21,092
Utilities	461,521	383,870
Office supplies	14,240	16,787
Cleaning	4,070	-
Postage	37,272	40,702
Security	2,724	452
Uniform rental	11,658	3,220
Small tools	4,656	1,414
Vehicle expense	1,511	1,852
Dues and subscriptions	847	323
Licenses	41,107	30,135
General manager discretionary	-	49
Depreciation	2,589,855	2,585,439
Total operating expenses	6,270,931	6,172,863
Operating income	1,462,077	1,389,138
NON-OPERATING REVENUES (EXPENSES)		
Debt service fee income	1,072,095	1,054,187
Inspection revenue	1,815	2,455
Tap fee income	1,831,939	1,583,120
Capacity fee revenue	113,980	202,940
Interest income	419,206	397,459
Intergovernmental	408,054	517,254
Miscellaneous income	17,538	58,646
Gain on sale of capital assets	795	1,713
Interest expense	(1,395,884)	(1,757,132)
Loss on Disposition of Assets	-	(95,922)
Total non-operating revenues (expenses)	2,469,538	1,964,720
Changes in net position before capital contributions	3,931,615	3,353,858
Capital contributions - special assessments	79,359	30,248
Capital contributions - developers	1,146,215	348,345
Changes in net position	5,157,189	3,732,451
Net position, beginning of year - Restated	19,588,319	16,571,115
Net position, end of year	$ 24,745,508	$ 20,303,566

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

	2018	2017
Cash Flows from Operating Activities:		
Cash received from customers	$ 7,707,214	$ 7,587,894
Cash payments to suppliers for goods and services	(1,883,721)	(1,697,109)
Cash payments for employee services and benefits	(1,580,009)	(1,428,578)
Net cash provided by operating activities	4,243,484	4,462,207
Cash Flows from Investing Activities:		
Interest income from savings	73,866	52,404
Cash Flows from Capital and Related Financing Activities:		
Payments for planning and construction, including capitalized interest	(13,872,454)	(2,141,966)
Assessment principal payments received	1,145,518	1,048,975
Proceeds from disposal of capital assets	795	1,713
Debt service fees collected	1,072,095	1,054,187
Increase in contractor bonds payable	5,000	5,500
Increase in project bonds payable	17,012	-
Increase in developer deposits	65,557	60,583
Purchase of equipment and furniture	(303,381)	(123,745)
Purchase of vehicle	(35,960)	(101,772)
Purchase of land easements	(27,561)	-
Purchase of land	(20,000)	-
Construction loan proceeds	13,995,748	2,563,560
Principal repayments on loans	(6,175,116)	(5,823,835)
Interest repayments on loans	(987,830)	(1,239,878)
Assessment interest income	345,340	345,055
Inspection, capacity, tap fee and miscellaneous income	1,965,272	1,847,161
Net cash used for capital and related financing activities	(2,809,965)	(2,504,462)
Net increase in cash and cash equivalents	1,507,385	2,010,149
Cash and cash equivalents at beginning of year	10,784,964	8,774,815
Cash and cash equivalents at end of year	$ 12,292,349	$ 10,784,964

(Continued on following page)

Southwest Licking Community Water and Sewer District
Licking County, Ohio

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

		2018		2017
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	$	1,462,077	$	1,389,138
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and amortization		2,589,855		2,585,439
Pension expense adjustments not affecting cash		111,532		279,266
OPEB expense adjustments not affecting cash		76,453		-
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable		(25,794)		25,893
(Increase) in prepaid items		(615)		(1,292)
Decrease in meter inventory		2,574		3,631
Increase in accounts payable (operating)		16,432		93,461
Increase in compensated absences		3,661		80,297
Increase in accrued wages, benefits and payroll taxes		7,309		6,374
Total adjustments		2,781,407		3,073,069
Net cash provided by operating activities	$	4,243,484	$	4,462,207

Non-cash transactions:

Acquisition of capital assets through developer donations	$	1,146,215	$	348,345
Intergovernmental revenue - interest subsidy	$	651,934	$	569,413
Interest expense - interest subsidy	$	(651,934)	$	(569,413)

The Notes to the Basic Financial Statements are an integral part of this statement.

NOTE A - NATURE OF ORGANIZATION

Southwest Licking Community Water & Sewer District (hereafter referred to as SWLCWSD) was created, during late 1989, by the Court of Common Pleas of Licking County to provide water and sewer services to the residents of Licking County in accordance with the provisions of Section 6119.et.seq of the Revised Code. SWLCWSD is managed by a Board consisting of three (3) appointed trustees.

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

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles 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 SWLCWSD 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. SWLCWSD 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 of resources, net position, revenues, and expenses. This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which SWLCWSD 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 SWLCWSD 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 those costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Basis of Accounting**
The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. The proprietary fund is accounted for on a flow of economic resources basis and all assets, liabilities and deferred inflows of resources associated with the operation are included on the statements of net position.

3. **Budgetary Process**
Annually, the SWLCWSD adopts an operating budget (prepared in accordance with accounting principles generally accepted in the United States of America) which does not include capital acquisition and related depreciation expense.

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

5. **Accounts Receivable**
Accounts receivable are shown at their net realizable value. The water shut-off policy, implemented in full force on January 1, 1995, specifies the details of collections for both water and sewer delinquent accounts. Note that uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted. SWLCWSD has recorded an allowance for doubtful accounts for fiscal years 2018 and 2017. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to revenues is recorded during the year that the accounts are determined to be potentially uncollectible.

6. **Restricted Assets**
A restricted savings account was established for contractor bonds as discussed in the footnote entitled "CASH IN SAVINGS". These assets are shown as restricted as they cannot be used for general SWLCWSD purposes.

7. **Capital Assets**
Capital assets costs are stated at cost (except see next paragraph referring to donated developer lines) and are depreciated over the estimated useful lives of the assets from 7 years to 50 years depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest. In prior years, the District capitalized all assets. In more recent years, the District has maintained a capital asset threshold of $1,000.

Donated developer lines are stated at acquisition value based on developer documentation, and are depreciated over 50 years. Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized. The planning costs for proposed projects consist of capitalized interest and the engineering, legal and administrative planning costs, which are not allocated to specific projects currently in construction. If the proposed project begins construction, the respective planning costs will be depreciated. If the proposed project does not enter construction, respective planning costs will be expensed. General administrative, legal, engineering, and other costs, which cannot be directly allocated to specific projects, are proportionately allocated to operations and planning/construction for projects serviced during that time frame.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. **Provision for Income Tax**

SWLCWSD operates as a public water-sewer system exempt from federal income tax under Internal Revenue Code Section 501(c) (1).

10. **Inventory of Materials and Supplies**

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

11. **Cash and Cash Equivalents**

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposits are reported at cost. In 2018 and 2017, SWLCWSD's investment consisted of a repurchase agreement.

12. **Vacation, Sick Leave and Other Compensated Absences**

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

13. **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For SWLCWSD, these revenues are service revenues and late charges for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or service that is the primary activity of the fund.

14. **Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The District did not have restricted net position for 2018 or 2017.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. **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 I and Note J. 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 I and Note J)

16. **Pensions and Other Postemployment Benefits (OPEB)**

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

NOTE C - CASH IN SAVINGS

A separate escrow savings account was established to maintain the contractor bonds' balance due on the construction of the water and sewer lines. The account is a non-interest bearing account; therefore, interest is not due to the contractor. The balance at December 31, 2018 and 2017 was $45,910 and $45,905, respectively and these amounts are not reflected in Note D.

NOTE D - DEPOSITS AND INVESTMENTS

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

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

Interim deposits 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.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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

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

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

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

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

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

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. 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).

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. SWLCWSD's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2018, SWLCWDS's bank balance of $1,032,076 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2017, SWLCWDS's bank balance of $1,000,436 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments

As of December 31, 2018 and December 31, 2017, SWLCWSD had the following investments and maturities:

	2018		2017	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	$ 11,465,688	0	$ 9,982,214	0
Total Fair Value	$ 11,465,688		$ 9,982,214	

Interest rate risk – In accordance with the investment policy, SWLCWSD manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SWLCWSD limits their investments to repurchase agreements.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. SWLCWSD's investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. SWLCWSD has invested 100% in investments with no weighted maturity.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the SWLCWSD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The SWLCWSD's repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in SWLCWSD's name.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting.*

NOTE E - INTEREST INCOME

Interest income came from the following sources:

	2018	2017
Interest income from repurchase agreements and savings accounts	$ 73,866	$ 52,404
Interest income from assessments, accrued and collected	345,340	345,055
Total interest income	$ 419,206	$ 397,459

NOTE F – CAPITAL ASSETS

Capital assets activity for the fiscal 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	$ 928,964	$ 20,000	$ -	$ 948,964
Land Easements	342,429	27,561	-	369,990
Construction in Progress	6,071,947	13,879,000	(188,169)	19,762,778
Total Capital Assets, Not Being Depreciated	7,343,340	13,926,561	(188,169)	21,081,732
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	94,999,062	268,208	-	95,267,270
Donated Developer Lines	5,365,359	197,810	-	5,563,169
Vehicles	355,183	35,960	-	391,143
Office Furniture and Equipment	299,679	-	-	299,679
General Equipment	1,049,187	303,381	-	1,352,568
Safety Equipment	37,442	-	-	37,442
Total Capital Assets, Being Depreciated	102,137,912	805,359	-	102,943,271
Less Accumulated Depreciation:				
Land Improvements	(25,396)	(2,029)	-	(27,425)
Facilities, Lines & Related Infrastructure	(65,234,213)	(2,390,737)	-	(67,624,950)
Donated Developer Lines	(2,807,295)	(108,983)	-	(2,916,278)
Vehicles	(137,017)	(31,075)	-	(168,092)
Office Furniture and Equipment	(263,029)	(5,708)	-	(268,737)
General Equipment	(702,910)	(50,120)	-	(753,030)
Safety Equipment	(29,259)	(1,203)	-	(30,462)
Total Accumulated Depreciation	(69,199,119)	(2,589,855)	-	(71,788,974)
Total Capital Assets Being Depreciated, Net	32,938,793	(1,784,496)	-	31,154,297
Total Capital Assets	$ 40,282,133	$ 12,142,065	$ (188,169)	$ 52,236,029

NOTE F – CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal 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	$ 914,738	$ 14,226	$ -	$ 928,964
Land Easements	342,429	-	-	342,429
Construction in Progress	1,674,958	4,400,914	(3,925)	6,071,947
Total Capital Assets, Not Being Depreciated	2,932,125	4,415,140	(3,925)	7,343,340
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	95,674,741	115,834	(791,513)	94,999,062
Donated Developer Lines	5,017,014	348,345	-	5,365,359
Vehicles	276,563	101,772	(23,152)	355,183
Office Furniture and Equipment	297,922	1,757	-	299,679
General Equipment	934,254	114,933	-	1,049,187
Safety Equipment	30,387	7,055	-	37,442
Total Capital Assets, Being Depreciated	102,262,881	689,696	(814,665)	102,137,912
Less Accumulated Depreciation:				
Land Improvements	(23,367)	(2,029)	-	(25,396)
Facilities, Lines & Related Infrastructure	(63,528,979)	(2,400,825)	695,591	(65,234,213)
Donated Developer Lines	(2,701,609)	(105,686)	-	(2,807,295)
Vehicles	(132,690)	(27,479)	23,152	(137,017)
Office Furniture and Equipment	(254,054)	(8,975)	-	(263,029)
General Equipment	(663,081)	(39,829)	-	(702,910)
Safety Equipment	(28,643)	(616)	-	(29,259)
Total Accumulated Depreciation	(67,332,423)	(2,585,439)	718,743	(69,199,119)
Total Capital Assets Being Depreciated, Net	34,930,458	(1,895,743)	(95,922)	32,938,793
Total Capital Assets	$ 37,862,583	$ 2,519,397	$ (99,847)	$ 40,282,133

NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE

Account receivable balances at December 31, 2018 and 2017 for operating billings are as follows:

	2018	2017
Current	$ 859,002	$ 837,177
Over 30 days	1,260	7,587
Over 60 days	16,462	20,116
Over 90 days	110,756	118,806
Gross Receivables	987,480	983,686
Less: Allowance for Doubtful Accounts	(128,000)	(150,000)
Net Accounts Receivable	$ 859,480	$ 833,686

NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE (Continued)

Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances at December 31, 2018 and 2017, are deferred agricultural property assessments and the related accrued interest receivable. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a deferred inflow of resources account that is called unearned special assessments. The time frame of collection is undeterminable. The assessment accounts receivable balances at December 31, 2018 and December 31, 2017 are $9,163,739 and $10,189,275, respectively.

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS

The current and long-term debt listed are planning and construction loans with Ohio Public Works Commission (O.P.W.C.) (Issue II), Ohio Water Development Authority (O.W.D.A.), and the Rotary Commission. In addition, recoupment agreements have been established with one developer for the oversizing portion of donated lines, of which costs are considered the responsibility of SWLCWSD. The recoupment agreements are payable in monthly increments of $2,300 for each tap fee received by SWLCWSD for a customer within the development. The Highland Hills agreement incurs 9.25% interest per annum, calculated monthly on the outstanding balance, and originally was scheduled to be forgiven on August 31, 2001 (even if outstanding debt exists). During 2001, the agreement was extended an additional five years to August 31, 2006. In 2006, the agreement was extended indefinitely.

SWLCWSD has seven (7) interest free loans from the Ohio Public Works Commission. Each loan requires semiannual payments for a term of twenty (20) years. Loan CQ021 for $248,600 was used to finance Cleveland Road/Mink Street sanitary sewer improvements. The loan commenced in 1999 and will mature July 1, 2020. Loan CQ23D for $500,000 was used to assist in the Phase I-A Wastewater Treatment Plant expansion. The loan commenced in 2002 and will mature July 1, 2022. Loan CQ24E is in the amount of $733,000 and was used to assist in the Phase I-B Wastewater Treatment Plant expansion. The loan commenced in 2004 and will mature July 1, 2024. Loan CQ06M for $529,142 was used to finance the York Road/Refugee Road Pump Station Upgrade. The loan commenced in 2010 and will mature January 1, 2031. Loan CQ25N for $39,481 was used to finance the Columbia Road Pump Station Elimination Project, began in 2012 and will mature July 1, 2032. Loan CQ32P for $1,388,390 was used to rehabilitate the Annette/Summit Road Pump Station. The loan commenced in 2014 and will mature July 1, 2044. Loan CQ39Q for $287,375 was used to finance the York Road Wellfield Improvements. The loan commenced in 2016 and will mature January 1, 2036.

The SWLCWSD has three (3) loans with the Rotary Commission used to finance construction of water and sewer lines for the Columbia Center, Etna S.R. 40, Ashcraft Acres, Pine Oak Estates, and Indian Hills sewer line projects. The outstanding balances of $106,351; $65,495; and $175,095 will be paid back to the Rotary Commission when properties within each project are taken out of agricultural district status. No payment schedule has been established for these loans.

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

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

	Balance 12/31/2017*	Additions	Reductions	Balance 12/31/2018	Amount Due Within One Year
O.W.D.A.	$ 28,343,956	$ 13,995,748	$ 5,960,655	$ 36,379,049	$ 4,920,138
O.P.W.C.	2,165,983	-	214,461	1,951,522	71,487
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Net Pension Liability	1,744,224	-	489,650	1,254,574	-
Net OPEB Liability	725,204	84,897	-	810,101	-
Compensated Absences	208,884	20,895	17,234	212,545	17,000
	$ 33,761,027	$ 14,101,540	$ 6,682,000	$ 41,180,567	$ 5,008,625

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amount Due Within One Year
O.W.D.A.	$ 31,461,258	$ 2,563,560	$ 5,680,862	$ 28,343,956	$ 5,012,249
O.P.W.C.	2,308,956	-	142,973	2,165,983	142,974
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	
Net Pension Liability	1,299,787	444,437	-	1,744,224	-
Compensated Absences	128,587	82,319	2,022	208,884	2,000
	$ 35,771,364	$ 3,090,316	$ 5,825,857	$ 33,035,823	$ 5,157,223

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

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest rate to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy in 2018 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated $981,490 of additional interest subsidies through 2034 in the following amounts annually:

2019	$ 300,318
2020	205,448
2021	143,309
2022	92,969
2023	71,362
2024	50,637
2025	37,015
2026	23,327
2027	16,578
2028	12,097
2029	8,167
2030	6,797
2031	5,490
2032	4,119
2033	2,682
2034	1,175
Total	$981,490

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

Loan #	Payable To	Interest Rate	First Payment	Principal Term	Principal Due in 2019	Principal Due after 2019
1869	O.W.D.A.	6.61	1/1/1995	25 yrs.	$ 187,517	$ -
2005	O.W.D.A.	5.90	7/1/1996	25 yrs.	106,124	112,385
2093	O.W.D.A.	6.87	7/1/1997	25 yrs.	312,339	690,525
2094	O.W.D.A.	6.87	7/1/1997	25 yrs.	325,009	718,536
2095	O.W.D.A.	6.36	1/1/1998	25 yrs.	97,103	269,741
2096	O.W.D.A.	6.36	1/1/1998	25 yrs.	48,596	134,996
2099	O.W.D.A.	6.32	7/1/1999	25 yrs.	44,274	206,903
2101	O.W.D.A.	6.11	7/1/1999	25 yrs.	95,989	446,308
2103	O.W.D.A.	6.11	7/1/1999	25 yrs.	69,947	325,220
2174	O.W.D.A.	5.77	1/1/2002	25 yrs.	40,911	330,986
2930	O.W.D.A.	5.90	7/1/1996	25 yrs.	58,175	61,606
2956	O.W.D.A.	6.64	1/1/1997	25 yrs.	13,195	21,336
2957	O.W.D.A.	6.64	1/1/1997	25 yrs.	43,310	70,031
2969	O.W.D.A.	6.72	1/1/1997	25 yrs.	79,545	128,715
2970	O.W.D.A.	6.72	1/1/1997	25 yrs.	309,266	500,515
2971	O.W.D.A.	6.36	1/1/1997	25 yrs.	28,408	45,788
3019	O.W.D.A.	6.85	1/1/1995	25 yrs.	172,829	-
3020	O.W.D.A.	6.02	1/1/1995	25 yrs.	12,887	-
3021	O.W.D.A.	5.77	1/1/1995	25 yrs.	8,034	-
3025	O.W.D.A.	6.75	7/1/1995	25 yrs.	275,382	-
3039	O.W.D.A.	6.51	7/1/1995	25 yrs.	109,341	-
3040	O.W.D.A.	5.77	7/1/1996	25 yrs.	16,854	17,830
3041	O.W.D.A.	6.51	7/1/1995	25 yrs.	149,276	-
3043	O.W.D.A.	6.24	7/1/1995	25 yrs.	222,301	-
3048	O.W.D.A.	6.24	7/1/1995	25 yrs.	5,588	-
3053	O.W.D.A.	6.16	7/1/1995	25 yrs.	9,269	-
3054	O.W.D.A.	6.16	7/1/1995	25 yrs.	31,020	-
3055	O.W.D.A.	6.16	7/1/1995	25 yrs.	92,711	-
3063	O.W.D.A.	6.16	1/1/1996	25 yrs.	72,004	37,076
3064	O.W.D.A.	6.16	1/1/1996	25 yrs.	13,196	6,794
3079	O.W.D.A.	6.02	1/1/1996	25 yrs.	179,644	92,507
3080	O.W.D.A.	6.02	1/1/1996	25 yrs.	87,335	44,943
Subtotal					$ 3,317,379	$ 4,262,741

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

Loan #	Payable To	Interest Rate	First Payment	Principal Term	Principal Due in 2019	Principal Due after 2019
3105	O.W.D.A.	5.77	1/1/1996	25 yrs.	$ 29,199	$ 15,016
3106	O.W.D.A.	5.77	1/1/1996	25 yrs.	21,000	10,799
3279	O.W.D.A.	6.41	1/1/2002	25 yrs.	240,404	1,993,321
3682	O.W.D.A.	5.20	7/1/2004	25 yrs.	121,470	1,425,583
3683	O.W.D.A.	5.20	7/1/2004	25 yrs.	35,840	420,622
3756	O.W.D.A.	3.59	1/1/2005	20 yrs.	407,543	2,024,522
3760	O.W.D.A.	4.84	7/1/2004	15 yrs.	-	-
3912	O.W.D.A.	4.28	1/1/2005	25 yrs.	92,784	1,108,273
3944	O.W.D.A.	4.35	1/1/2005	25 yrs.	19,064	228,583
4314	O.W.D.A.	3.99	7/1/2006	25 yrs.	77,524	1,089,334
4315	O.W.D.A.	3.99	1/1/2007	25 yrs.	58,914	874,692
4316	O.W.D.A.	3.99	1/1/2007	20 yrs.	41,656	314,843
4437	O.W.D.A.	3.99	7/1/2006	25 yrs.	12,998	182,644
5008	O.W.D.A.	4.79	7/1/2010	25 yrs.	50,873	1,137,833
5009	O.W.D.A.	4.79	7/1/2010	25 yrs.	46,275	1,034,996
5392	O.W.D.A.	0.00	7/1/2010	20 yrs.	7,308	73,086
7701	O.W.D.A.	3.14	7/1/2019	25 yrs.	333,802	15,262,022
8158	O.W.D.A.	0.00	7/1/2019	30 yrs.	6,105	-
CQ021	O.P.W.C.	0.00	1/1/2000	20 yrs.	6,215	-
CQ23D	O.P.W.C.	0.00	1/1/2003	20 yrs.	8,670	60,688
CQ24E	O.P.W.C.	0.00	1/1/2005	20 yrs.	12,117	121,173
CQ06M	O.P.W.C.	0.00	7/1/2011	20 yrs.	13,229	304,257
CQ25N	O.P.W.C.	0.00	1/1/2013	20 yrs.	987	25,662
CQ32P	O.P.W.C.	0.00	7/1/2014	30 yrs.	23,085	1,131,172
CQ39Q	O.P.W.C.	0.00	7/1/2016	20 yrs.	7,184	237,084
Rotary		0.00		20 yrs.	-	106,351
Rotary		0.00		20 yrs.	-	175,095
Rotary		0.00		20 yrs.	-	65,495
Highland Hills Recoupment		9.25		Indefinite	-	225,835
Subtotal for this page					1,674,246	29,648,981
Subtotal from previous page					3,317,379	4,262,741
Total					$ 4,991,625	$ 33,911,722

NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)

Year Ending	OWDA Loans			OPWC Loans		
December 30,	Principal	Interest	Total	Principal	Interest	Total
2019	$ 4,580,231	$ 1,092,381	$ 5,672,612	$ 71,487	$ -	$ 71,487
2020	3,275,541	817,989	4,093,530	130,544	-	130,544
2021	2,763,769	628,779	3,392,548	130,544	-	130,544
2022	1,773,849	472,073	2,245,922	130,544	-	130,544
2023	1,771,846	383,722	2,155,568	121,874	-	121,874
2024-2028	4,963,763	944,109	5,907,872	469,085	-	469,085
2029-2033	1,450,522	193,797	1,644,319	376,734	-	376,734
2034-2038	197,599	7,128	204,727	220,603	-	220,603
2039-2043	-	-	-	230,851	-	230,851
2044	-	-	-	69,256	-	69,256
Total	$ 20,777,120	$ 4,539,978	$ 25,317,098	$ 1,951,522	$ -	$ 1,951,522

Year Ending	Total		
December 30,	Principal	Interest	Total
2019	$ 4,651,718	$ 1,092,381	$ 5,744,099
2020	3,406,085	817,989	4,224,074
2021	2,894,313	628,779	3,523,092
2022	1,904,393	472,073	2,376,466
2023	1,893,720	383,722	2,277,442
2024-2028	5,432,848	944,109	6,376,957
2029-2033	1,827,256	193,797	2,021,053
2034-2038	418,202	7,128	425,330
2039-2043	230,851	-	230,851
2044	69,256	-	69,256
Total	$ 22,728,642	$ 4,539,978	$ 27,268,620

The Highland Hills Recoupment is not shown on the above amortization schedule as there is no fixed repayment schedule for this outstanding loan. The Rotary Loans are also not shown on the above amortization schedule as there is no fixed repayment schedule for these outstanding loans.

Loan #7701 and loan #8158 are not included in the above amortization schedule as the loans are still open as of December 31, 2018.

In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is $25,317,098 at December 31, 2018 and $34,280,125 at December 31, 2017. For the year ended December 31, 2018 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: $4,051,932 and $6,948,485, and 0.58, respectively. For the year ended December 31, 2017 net revenue available, principal and interest paid (net of interest subsidy) and the coverage ratio is as follows: $3,974,577 and $6,920,740, and 0.57, respectively.

NOTE I - DEFINED BENEFIT RETIREMENT PLAN

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

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

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

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

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority 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 $160,872 for fiscal year 2018 and $129,497 for 2017 respectively Of this amount $21,423 and $20,239 were reported as a payroll related liability for 2018 and 2017 respectively.

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

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

	2018 OPERS	2017 OPERS
Proportion of the Net Pension Liability/Asset - Prior Year	0.007681%	0.007504%
Proportion of the Net Pension Liability/Asset - Current Year	0.007997%	0.007681%
Change in Proportionate Share	0.000316%	0.000177%
Proportionate Share of the Net Pension Liability	$ 1,254,574	$ 1,744,224
Pension Expense	$ 272,404	$ 408,763

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued

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

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

	2018 OPERS	2017 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$ 1,281	$ 2,364
Differences between projected and actual investment earnings	-	259,755
Changes of assumptions	149,930	276,655
Changes in proportion	33,360	1,877
Contributions subsequent to the measurement date	160,872	129,497
Total	$ 345,443	$ 670,148

	OPERS	OPERS
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	$ 24,724	$ 10,380
Differences between projected and actual investment earnings	269,341	-
Changes in proportion	7,824	15,032
Total	$ 301,889	$ 25,412

$160,872 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS
2019	$ 122,368
2020	(10,406)
2021	(118,604)
2022	(110,676)
	$ (117,318)

Actuarial Assumptions - OPERS

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued

Actuarial Assumptions - OPERS – Continued

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

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

Discount Rate

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

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

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

NOTE I – 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.

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 each plan’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	$2,227,804	$1,254,574	$443,194

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 J - DEFINED BENEFIT OPEB PLANS

Post-GASB 75 Implementation

Net Other Postemployment Benefits (OPEB) Liability

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

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

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

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

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2017 CAFR for details.

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

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

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

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

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

The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2017. Effective, January 2018, the portion of employer contributions allocated to health care was 0.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The District's contributions for health care for the fiscal years ended December 31, 2018, 2017 and 2016 were approximately $0, $9,957 and $19,863 respectively. The full amount has been contributed for fiscal years 2018, 2017 and 2016.

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

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

	2018 OPERS
Proportion of the Net OPEB Liability/Asset - Prior Year	0.007180%
Proportion of the Net OPEB Liability/Asset - Current Year	0.007460%
Change in Proportionate Share	0.000280%
Proportionate Share of the Net OPEB Liability	$ 810,101
OPEB Expense	$ 76,453

NOTE J - DEFINED BENEFIT OPEB PLANS – Continued

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

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

		2018 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$	631
Changes of assumptions		58,984
Changes in proportion		19,133
Total	$	78,748

		OPERS
Deferred Inflows of Resources:		
Differences between projected and actual investment earnings	$	60,347
Total	$	60,347

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

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

		OPERS
Fiscal Year Ending December 31:		
2019	$	22,563
2020		22,563
2021		(11,639)
2022		(15,086)
	$	18,401

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions - PERS

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

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

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

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

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

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

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

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

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

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

Discount Rate

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

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – PERS - Continued

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
District's proportionate share of the net OPEB liability	$1,076,254	$810,101	$594,786

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$775,094	$810,101	$846,262

NOTE J - DEFINED BENEFIT OPEB PLANS - Continued

Postemployment Benefits Pre-GASB 75 Implementation

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for 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.

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 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 $9,957, $19,857, and $18,989, respectively. The full amount has been contributed for 2017, 2016 and 2015.

NOTE K - RISK MANAGEMENT

The SWLCWSD is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the years ended December 31, 2018 and 2017 the SWLCWSD contracted for the following insurance coverage:

Property	$25,440,613
General Liability	2,000,000
Public Officials	1,000,000
Commercial Umbrella	5,000,000
Automobile	1,000,000
Employee Benefits Liability/Aggregate	1,000,000/$2,000,000

Vehicle policies include liability coverage for bodily injury and property damage. Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The SWLCWSD pays all elected officials' bonds. The SWLCWSD has not incurred significant reductions to insurance coverage from coverage in the prior years by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE L - RELATED PARTY TRANSACTIONS

No related party transactions existed at December 31, 2018 and 2017.

NOTE M - CONTINGENT LIABILITIES

During the years ended December 31, 2018 and 2017 SWLCWSD was involved in litigation; however, management does not believe that the effect, if any, on the financial statements would be material.

NOTE N - DEBT SERVICE FEE

The SWLCWSD has a debt service fee to assist in meeting debt service requirement which was $11.95 per month per sewer customer during both 2018 and 2017. The proceeds of the fee are restricted to the payment of sewer debt service. During 2018 and 2017 the SWLCWSD collected $1,072,095 and $1,054,187 in debt service fees and expended approximately $4.1 million in 2018 and $4.2 million in 2017 in principal and interest payments on sewer related debt.

NOTE O - INSPECTION INCOME

Inspection income represents amounts charged to construction costs of projects for inspections performed by SWLCWSD employees. The income offsets operation expenses, including gross wages, payroll taxes, PERS expenses, and mileage.

NOTE P - MISCELLANEOUS INCOME

Miscellaneous income includes water hauling, contractor licenses, and other miscellaneous revenue.

NOTE Q - INTEREST EXPENSE

Interest expense for the water and sewer divisions represents the interest portion of construction loan payments to the Ohio Water Development Authority for water and sewer. Interest expense is detailed in the following schedule:

	2018	2017
OWDA- Water	$ 501,496	$ 673,150
OWDA- Sewer	894,388	1,083,982
Total interest expense	$ 1,395,884	$ 1,757,132

NOTE R – CHANGES IN ACCOUNTING PRINCIPLES

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

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

Net position, January 1, 2018 - As previously stated	$20,303,566
District's Share of Beginning Plan Net OPEB Liability	(725,204)
District's Share of 2017 Employer Contributions	9,957
Net position, January 1, 2018 - As restated	$19,588,319

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

NOTE S - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 202 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

NOTE T – CONTRACTUAL COMMITMENTS

2018 Commitments

Name of Vendor	Description of Project	Contract Amount	Expended as of 12/31/18	Remaining Balance
Shook Construction Inc.	Construction services for new Water Treatment Center	$ 13,879,831	$ 11,521,579	$ 2,358,252
Caldwell Tanks, Inc.	Construction services for new Elevated Storage Tank	$ 2,649,200	$ 2,361,780	$ 287,420
URS Corp Design/AECOM	Engineering services for new Water Treatment Center	$ 959,400	$ 897,952	$ 61,448
CDM Smith Inc.	Engineering services for Elevated Water Storage Tank and Water CAD Model	$ 243,870	$ 214,425	$ 29,445
Poggemeyer Design Group	Construction observation services for new Water Treatment Center	$ 245,000	$ 179,596	$ 65,404
Prime A/E Group	Plan Report to plan for Waste Water Expansion	$ 46,500	$ 46,500	$ -
Geotechnical Consultants Inc.	Geotechnical and special inspection services and testing for the new Water	$ 150,000	$ 45,560	$ 104,440
Hydro-Dyne Engineering	Provision of the replacement screen for the Waste Water Treatment Plant	$ 174,987	$ 174,987	$ -
Rock River Construction LTD	Refugee Road Water Line Improvements	$ 641,942	$ 392,075	$ 249,867
Tribute Contracting & Consultants LLC	Summit Rd/Cable Rd Water Line Improvement	$ 1,517,773	$ 929,923	$ 587,850

2017 Commitments

Name of Vendor	Description of Project	Contract Amount	Expended as of 12/31/17	Remaining Balance
Shook Construction Inc.	Construction services for new Water Treatment Center	$ 13,822,000	$ 1,588,179	$ 12,233,821
Caldwell Tanks, Inc.	Construction services for new Elevated Storage Tank	$ 2,649,200	$ -	$ 2,649,200
URS Corp Design	Engineering services for new Water Treatment Center	$ 600,000	$ 600,000	$ -
CDM Smith Inc.	Engineering services for Elevated Water Storage Tank and Water CAD Model	$ 243,870	$ 191,158	$ 52,712
Poggemeyer Design Group	Construction observation services for new Water Treatment Center	$ 245,000	$ 34,337	$ 210,663
Prime A/E Group	Engineering services for the 208 Facilities Plan Report to plan for Waste Water Expansion	$ 46,500	$ 23,297	$ 23,203
Geotechnical Consultants Inc.	Geotechnical and special inspection services and testing for the new Water Treatment Center	$ 150,000	$ 6,168	$ 143,832
AECOM (Formerly URS)	Engineering services to provide contract administration services for the new Water Treatment Center	$ 359,400	$ 97,402	$ 261,998
Hydro-Dyne Engineering	Provision of the replacement screen for the Waste Water Treatment Plant	$ 174,987	$ -	$ 174,987
Hull & Associates Inc	Provision of proposed RO concentration line design for the new Water Treatment Plant construction	$ 45,000	$ -	$ 45,000

REQUIRED SUPPLEMENTARY INFORMATION

Southwest Licking Community Water and Sewer District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Five Years (1)

	2017	2016	2015	2014	2013
Total plan pension liability	$ 102,273,912,351	$99,817,932,954	$91,534,580,978	$89,017,348,266	$86,407,229,435
Plan net position	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	$ 15,688,061,327	$22,708,299,469	$17,321,260,626	$12,061,117,624	$11,788,697,166
District's proportion of the net pension liability	0.007997%	0.007681%	0.007504%	0.007460%	0.007460%
District's proportionate share of the net pension liability	$ 1,254,574	$ 1,744,224	$ 1,299,787	$ 899,759	$ 879,437
District's covered-employee payroll	$ 996,131	$ 992,825	$ 949,142	$ 914,567	$ 850,254
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.94%	175.68%	136.94%	98.38%	103.43%
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.

Southwest Licking Community Water and Sewer District
Required Supplementary Information
Schedule of the District's Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 160,872	$ 129,497	$ 119,139	$ 113,897	$ 109,748	$ 110,533	$ 97,602	$ 139,928	$ 190,915	$ 152,008
Contributions in relation to the contractually required contribution	(160,872)	(129,497)	(119,139)	(113,897)	(109,748)	(110,533)	(97,602)	(139,928)	(190,915)	(152,008)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,149,086	$ 996,131	$ 992,825	$ 949,142	$ 914,567	$ 850,254	$ 976,020	$ 1,399,280	$ 2,181,886	$ 1,961,394
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.

Southwest Licking Community Water and Sewer District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Two Years (1)

	2017	2016
Total plan OPEB liability	$ 23,678,097,060	$ 21,980,827,536
Plan net position	12,818,833,665	11,880,487,863
Net OPEB liability	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00746000%	0.00718000%
District's proportionate share of the net OPEB liability	$ 810,101	$ 725,204
District's covered-employee payroll	$ 996,131	$ 992,825
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	81.32%	73.04%
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.

Southwest Licking Community Water and Sewer District

Required Supplementary Information

Schedule of the District's OPEB Contributions

Ohio Public Employees Retirement System

Last Three Years (1)

	2018	2017	2016
Contractually required contribution	$ -	$ 9,957	$ 19,857
Contributions in relation to the contractually required contribution	-	(9,957)	(19,857)
Contribution deficiency (excess)	$ -	$ -	$ -
District covered-employee payroll	$ 1,149,086	$ 996,131	$ 992,825
Contributions as a percentage of covered-employee payroll	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

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

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

SUPPLEMENTARY INFORMATION

Southwest Licking Community Water and Sewer District

Licking County, Ohio

Schedules of Revenues, Expenses, Non-Operating Revenues (Expenses) and Capital Contributions - Water
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Service revenues	$ 2,612,805	$ 2,623,102
Late charges	71,061	71,128
TOTAL OPERATING REVENUES	2,683,866	2,694,230
OPERATING EXPENSES		
Salaries	230,418	229,492
Training	1,550	-
Medicare tax expense	3,322	4,218
P.E.R.S. and pension expense	64,980	75,551
Workers compensation	1,063	1,091
Operations and testing	9,857	10,294
Chemicals and operating supplies	300,237	248,070
Equipment rental	790	511
Repairs and maintenance	192,049	222,520
Insurance:		
Health	77,128	56,838
Telephone	3,944	3,972
Utilities	173,458	138,952
Office supplies	1,077	785
Uniform rental	7,044	1,527
Small tools	1,316	942
Licenses	10,059	10,561
Cleaning	315	-
Security	60	38
Depreciation	758,423	766,968
TOTAL OPERATING EXPENSES	$ 1,837,090	$ 1,772,330
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS		
Capital contributions - special assessments	49,461	7,036
Capital contributions - developers	972,143	114,954
Gain on sale of capital assets	795	1,713
Inspection revenue	720	1,585
Tap fee income	884,179	758,990
Capacity revenue	40,310	101,470
Interest income	210,310	168,728
Intergovernmental revenue	142,308	188,636
Interest expense	(501,496)	(673,150)
Loss on disposition of capital assets	-	(95,922)
Miscellaneous income	14,280	58,496
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	$ 1,813,010	$ 632,536

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Revenues, Expenses, Non-Operating
Revenues (Expenses) and Capital Contributions - Wastewater Treatment Plant
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Service revenues	$ 4,890,281	$ 4,696,085
Late charges	158,861	171,686
TOTAL OPERATING REVENUES	5,049,142	4,867,771
OPERATING EXPENSES		
Salaries	198,982	193,284
Training	3,060	1,093
Medicare tax expense	2,879	3,640
P.E.R.S. and pension expense	56,214	71,749
Workers compensation	921	1,319
Operations and testing	19,034	21,570
Chemicals and operating supplies	14,998	19,568
Equipment rental	790	511
Repairs and maintenance	91,169	159,473
Biosolids Processing	65,484	66,228
Insurance:		
Health	39,467	24,418
Telephone	3,764	3,793
Utilities	194,813	168,116
Refuse	2,548	2,454
Office supplies	952	1,312
Uniform rental	2,896	224
Small tools	1,879	338
Dues and subscriptions	95	-
Licenses	6,891	6,904
Cleaning	315	-
Security	60	38
Depreciation	777,381	771,598
TOTAL OPERATING EXPENSES	$ 1,484,592	$ 1,517,630
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS		
Debt service fee income	1,072,095	1,054,187
Capital contributions - special assessments	29,898	23,212
Capital contributions - developers	174,072	233,391
Inspection revenue	1,095	870
Tap fee income	947,760	824,130
Capacity fee revenue	73,670	101,470
Interest income	208,896	228,731
Integovernmental	265,746	328,618
Interest expense	(894,388)	(1,083,982)
Miscellaneous income	3,258	150
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	$ 1,882,102	$ 1,710,777

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Expenses - Collection
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES		
Salaries	$ 177,893	$ 159,316
Medicare tax expense	2,640	3,017
P.E.R.S. and pension expense	83,417	60,550
Workers compensation	829	1,043
Chemicals and operating supplies	9,191	7,034
Equipment rental	790	511
Repairs and maintenance	366,574	342,298
Insurance:		
Health	34,122	12,509
Telephone	2,376	2,044
Utilities	93,250	76,802
Office supplies	388	432
Uniform rental	1,118	644
Small Tools	1,461	134
Licenses	206	186
Cleaning	315	-
Security	60	38
Depreciation	1,032,201	1,025,546
TOTAL OPERATING EXPENSES	$ 1,806,831	$ 1,692,104

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Expenses - Administration
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES		
Salaries	$ 365,757	$ 392,129
Training	2,068	2,476
Medicare tax expense	5,618	7,403
P.E.R.S. and pension expense	74,204	143,137
Workers compensation	1,828	2,440
Refuse	955	1,613
Equipment rental	4,321	3,655
Repairs and maintenance	13,391	15,567
Engineering	7,313	6,273
Legal	102,034	65,405
Accounting	12,650	24,700
Audit fees	13,674	-
Advertising and communications	244	1,691
Board designated expenses	-	80
Insurance:		
General	50,728	49,630
Health	80,690	79,347
Life	1,471	1,648
Telephone	7,585	8,450
Office supplies	11,595	13,445
Uniform rental	90	150
Postage	37,272	40,702
Cleaning	2,810	-
Security	2,484	300
Vehicle expense	1,511	1,852
Dues and subscriptions	752	323
Licenses	23,951	12,484
Depreciation	7,822	10,895
TOTAL OPERATING EXPENSES	$ 832,818	$ 885,795

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Schedules of Expenses - Engineering
For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES		
Salaries	$ 167,061	$ 168,386
Medicare tax expense	2,396	2,921
P.E.R.S. and pension expense	49,469	59,738
Workers compensation	720	1,091
Chemicals and operating supplies	10,091	7,142
Equipment Rental	790	511
Repairs and maintenance	5,610	12,135
Insurance:		
Health	55,475	38,240
Telephone	2,847	2,833
Office supplies	228	813
Uniform rental	510	675
Cleaning	315	-
Security	60	38
General manager discretionary	-	49
Depreciation	14,028	10,432
TOTAL OPERATING EXPENSES	$ 309,600	$ 305,004

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

November 13, 2020

Southwest Licking Community Water and Sewer District
Licking County
P.O. Box 215
Etna, Ohio 43018

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 **Southwest Licking Community Water and Sewer District**, Licking County, (the "District") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2020, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial for Postemployment Benefits Other Than Pensions* and wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

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.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHWEST LICKING COMMUNITY WATER AND SEWER DISTRICT

LICKING 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 1/19/2021

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