RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018,2017 AND 2016

OHIO AUDITOR OF STATE
KEITH FABER

RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN COUNTY
DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

RURAL LORAIN COUNTY WATER AUTHORITY
LORAIN COUNTY
DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Rural Lorain County Water Authority
Lorain County
42401 State Route 303
LaGrange, Ohio 44050

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Rural Lorain County Water Authority, Lorain County, Ohio (the Authority), as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Lorain County Water Authority, Lorain County, Ohio, as of December 31, 2018, 2017 and 2016, 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 14 to the 2018 financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Statements of Operating Expenses present additional analysis and are not a required part of the basic financial statements.

The statements are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

November 6, 2019

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RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2018 and 2017

This discussion and analysis, along with the accompanying financial reports of the Rural Lorain County Water Authority (RLCWA), are designed to provide our customers, bondholders, creditors and other interested parties with a general overview of the Authority and its financial activities.

During 2018, the Authority 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 Authority'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* and *net OPEB liability*. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension and 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 Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension and 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 pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority 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. 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 are no legal means to enforce the unfunded liability of the pension and OPEB plans *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 and 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, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority'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 Authority 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 $46,276,565 to $44,287,297.

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of RLCWA exceeded liabilities and deferred inflows by $48.0 million and $46.3 million in 2018 and 2017, respectively.

The Authority's Net Position increased by $1.68 million (3.6%) and $2.95 million (6.8%) in 2018 and 2017, respectively.

The Authority's Operating Revenue increased by $102 thousand (0.7%) and $392 thousand (2.6%) with Operating Expenses decreasing and increasing $339 thousand (-3.7%) and $845 thousand (10.2%) in 2018 and 2017, respectively.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2018 and 2017

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Authority is a single fund using proprietary fund accounting, similar to private sector business. The Authority is described in Note 1, Summary of Significant Accounting Policies, on page eighteen (18). The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statements of Net Position** includes all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Authority, and obligations owed by the Authority (liabilities) on December 31. The Authority's net position is the difference between assets and liabilities.

The **Statements of Revenue, Expenses, and Changes in Net Position** provide information on the Authority's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenue is reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the Authority's cash receipts and cash disbursements from operations, investing and financing activities. The statement summarizes where the cash was provided, cash used, and changes in the balances during the year.

The **Notes to the Basic Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

NET POSITION

Table 1 summarizes the Net Position of the Authority. Capital Assets are reported less accumulated depreciation. Net Investment in Capital Assets are capital assets less outstanding debt used to acquire those assets.

TABLE 1

				2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Dollar Change	Percent Change	Dollar Change	Percent Change
Current and other assets	$ 29,384,138	$ 27,156,352	$ 25,885,316	$ 2,227,786	8.2%	$ 1,271,036	4.9%
Capital assets	41,630,812	42,747,195	43,035,857	(1,116,383)	-2.6%	(288,662)	-0.7%
Total assets	71,014,950	69,903,547	68,921,173	1,111,403	1.6%	982,374	1.4%
Deferred outflows of resources - Pension	$ 710,198	$ 1,549,645	$ 1,085,127	$ (839,447)	-54.2%	$ 464,518	42.8%
Long-term liabilities	20,209,386	20,849,882	22,333,583	(640,496)	-3.1%	(1,483,701)	-6.6%
Current liabilities	2,934,442	4,237,628	4,296,236	(1,303,186)	-30.8%	(58,608)	-1.4%
Total liabilities	23,143,828	25,087,510	26,629,819	(1,943,682)	-7.7%	(1,542,309)	-5.8%
Deferred inflows of resources - Pension	$ 622,290	$ 89,177	$ 54,058	$ 533,113	597.8%	$ 35,119	65.0%
Net investments in capital assets	24,859,086	23,550,264	21,472,388	1,308,822	5.6%	2,077,876	9.7%
Restricted	5,922,349	6,026,023	5,957,637	(103,674)	-1.7%	68,386	1.1%
Unrestricted	17,177,595	16,700,278	15,892,398	477,317	2.9%	807,880	5.1%
Total net position	$ 47,959,030	$ 46,276,565	$ 43,322,423	$ 1,682,465	3.6%	$ 2,954,142	6.8%

The Authority’s Net Position increased $1.68 million (3.6%) and $2.95 million (6.8%) in 2018 and 2017, respectively. These increase are a result of excess revenue over expense.

The Authority increased and decreased long-term liabilities by $640 thousand and $1.48 million in 2018 and 2017, respectively, primarily from the addition of the net OPEB liability in 2018 and the payment of long-term debt in 2017.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2018 and 2017

NET POSITION (Continued)

Deferred outflows and inflows of resources – pension were recorded based on RLCWA's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71, and GASB 75 based on a measurement date of December 31, 2017.

A restatement of 2017 net position in the amount of $1,989,268 was recorded based on RLCWA's proportionate share of OPERS' Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2017.

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION)

Table 2 summarizes the changes in Revenue and Expenses and the resulting change in Net Position.

TABLE 2

				2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating revenue	$ 15,673,328	$ 15,571,146	$ 15,179,521	$ 102,182	0.7%	$ 391,625	2.6%
Operating expenses	8,805,585	9,144,468	8,299,410	(338,883)	-3.7%	845,058	10.2%
Maintenance expenses	833,941	665,600	680,206	168,341	25.3%	(14,606)	-2.1%
Depreciation expenses	2,431,375	2,518,905	2,626,191	(87,530)	-3.5%	(107,286)	-4.1%
Total expenses	12,070,901	12,328,973	11,605,807	(258,072)	-2.1%	723,166	6.2%
Operating income	3,602,427	3,242,173	3,573,714	360,254	11.1%	(331,541)	-9.3%
Nonoperating revenue	858,554	592,774	474,298	265,780	44.8%	118,476	25.0%
Nonoperating expenses	(789,248)	(880,805)	(946,301)	91,557	-10.4%	65,496	-6.9%
Nonoperating gain (loss)	69,306	(288,031)	(472,003)	357,337	-124.1%	183,972	-39.0%
Change in net position	3,671,733	2,954,142	3,101,711	717,591	24.3%	(147,569)	-4.8%
Beginning net position	46,276,565	43,322,423	40,220,712	2,954,142	6.8%	3,101,711	7.7%
Restatement of net position - GASB 68 & 75	(1,989,268)	0	0	(1,989,268)	100.0%	0	0.0%
Restated net position 2017	44,287,297	43,322,423	40,220,712	964,874	2.2%	3,101,711	7.7%
Ending net position	$ 47,959,030	$ 46,276,565	$ 43,322,423	$ 1,682,465	3.6%	$ 2,954,142	6.8%

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION) – (Continued)

Total operating revenue increased $102 thousand (0.7%) and $392 thousand (2.6%) in 2018 and 2017, respectively. Investment income increased by $178 thousand (112.5%) resulting in the majority of the increase of $266 thousand (44.8%) in nonoperating revenue for 2018.

Operations and maintenance expenses decreased $171 thousand (-1.7%) and increased $830 thousand (9.2%) in 2018 and 2017, respectively. A decrease in OPERS expense and water purchased accounted for the majority of the decrease in operating and maintenance costs in 2018.

A restatement of 2017 net position in the amounts of $1,989,268 was recorded based on RLCWA's proportionate share of OPERS' Schedule of Collective pension and OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2017.

CAPITAL ASSETS

The Authority had $89.54 million and $88.28 million invested in capital assets (before depreciation) at December 31, 2018 and 2017, respectively, as shown in Table 3. This amount is an increase of $1.27 million (1.4%) and $1.78 million (2.1%) from the previous year.

TABLE 3

				2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Dollar Change	Percent Change	Dollar Change	Percent Change
Land and easements	$ 696,325	$ 696,325	$ 695,825	$ -	0.0%	$ 500	0.1%
Buildings	2,378,390	2,378,390	2,375,606	0	0.0%	2,784	0.1%
Tanks, stations, and lines	72,236,869	71,426,380	68,081,658	810,489	1.1%	3,344,722	4.9%
Meters and replacements	9,665,616	9,319,069	9,263,103	346,547	3.7%	55,966	0.6%
Furniture and fixtures	1,682,547	1,651,867	1,631,407	30,680	1.9%	20,460	1.3%
Machinery, equipment, and vehicles	2,874,331	2,746,958	2,471,237	127,373	4.6%	275,721	11.2%
Construction in progress	9,914	56,418	1,971,907	(46,504)	-82.4%	(1,915,489)	-97.1%
Total before depreciation	89,543,992	88,275,407	86,490,743	1,268,585	1.4%	1,784,664	2.1%
Accumulated depreciation	(47,913,180)	(45,528,212)	(43,454,886)	(2,384,968)		(2,073,326)	
Total capital assets, net	$ 41,630,812	$ 42,747,195	$ 43,035,857	$ (1,116,383)		$ (288,662)	

CAPITAL ASSETS (Continued)

The increase in capital assets (before accumulated depreciation) from 2018 to 2017 was for line extensions and one truck.

The increase in capital assets (before accumulated depreciation) from 2017 to 2016 was for line extensions, relocation of lines, loop enclosures, a water tank, and six trucks.

DEBT

Table 4 summarizes the Authority's long-term debt. The Authority issues long-term revenue bonds to finance much of its construction.

TABLE 4

				2018 vs 2017		2017 vs 2016	
	2018	2017	2016	Dollar Change	Percent Change	Dollar Change	Percent Change
Long-term debt:							
2015 Revenue bonds	$ 7,265,781	$ 9,043,713	$ 10,748,735	$ (1,777,932)	-19.7%	$ (1,705,022)	-13.4%
Notes payable - bank	145,808	286,795	424,501	(140,987)	-49.2%	(137,706)	-32.4%
OWDA loans	7,308,537	7,777,323	8,229,233	(468,786)	-6.0%	(451,910)	-5.5%
USDA loans	2,051,600	2,089,100	2,125,000	(37,500)	-1.8%	(35,900)	-1.7%
Futronics lease payable	0	0	36,000	0	0.0%	(36,000)	-100.0%
Total long-term debt	16,771,726	19,196,931	21,563,469	(2,425,205)	-12.6%	(2,366,538)	-11.0%
Less: Current maturities	(1,030,728)	(2,140,731)	(2,093,439)	1,110,003	-51.9%	(47,292)	2.3%
Net total long-term debt	$ 15,740,998	$ 17,056,200	$ 19,470,030	$ (1,315,202)	-7.7%	$ (2,413,830)	-12.4%
Net pension liability	$ 2,654,891	$ 3,793,682	$ 2,863,553	$ (1,138,791)	-30.0%	$ 930,129	32.5%
Net OPEB liability.	$ 1,813,497	$ -	$ -	$ 1,813,497	100.0%	$ -	0.0%

See Note 4 of the financial statements for details of issuance and retirement of debt in 2018.

The Bond Reserve Fund and Bond Fund were established for payment of bond service charges and cancellation or redemption of bonds. The Bond Reserve Fund had a balance of $2,271,104 and $2,261,404 and the Bond Fund had a balance of $3,651,245 and $3,764,619 at December 31, 2018 and 2017, respectively. See Note 2 of the financial statements for more details on the bond reserve funds.

DEBT (Continued)

A net pension liability in the amounts of $2,654,891 and $3,793,682 were recorded based on RLCWA's proportionate share of OPERS' Schedule of Collective Pension Amounts per the requirements of GASB 68 and 71 based on a measurement date of December 31, 2017 and 2016, respectively, with the change between 2017 and 2018 due to changes in deferred inflows and deferred outflows of resources, and recording the GASB 68 pension expense. A net OPEB liability in the amounts of $1,813,497 was recorded based on RLCWA's proportionate share of OPERS' Schedule of Collective OPEB Amounts per the requirements of GASB 75 and recording the GASB 75 OPEB expense based on a measurement date of December 31, 2017.

DEBT COVERAGE

Table 5 reflects the ability of the Authority to pay both interest and the current principal installments on its outstanding debt.

TABLE 5

	2018	2017	2016
Operating revenue	$ 15,673,328	$ 15,571,146	$ 15,179,521
Nonoperating revenue - Interest	337,131	158,673	78,725
Total revenue	16,010,459	15,729,819	15,258,246
Less: Operations and maintenance expenses	(9,639,526)	(9,810,068)	(8,929,228)
Total revenue available for debt	$ 6,370,933	$ 5,919,751	$ 6,329,018
Revenue bond debt service - 2003, 2006 and 2015	$ 845,350	$ 2,039,550	$ 2,035,950
Revenue bond debt service - Rural development	285,683	285,948	284,649
OWDA Loans	376,036	376,036	376,036
Futronics lease	0	0	36,000
Total debt service requirements	$ 1,507,069	$ 2,701,534	$ 2,732,635
Combined coverage ratio - All debt	4.23	2.19	2.32

The Authority is required to meet a revenue-to-debt ratio of 1.20 for its 2003, 2006, and 2015 revenue bonds and a 1.00 ratio for rural development bonds.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the General Manager of the Rural Lorain County Water Authority, 42401 Route 303, P.O. Box 567, LaGrange, Ohio 44050.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents:		
General	$ 1,264,936	$ 856,682
Working capital	2,672,953	3,710,808
Capital improvements	10,327,047	7,289,192
Receivables: (Note 1)		
Trade (net allowance for doubtful accounts of $73,798 in 2018 and $74,169 in 2017)	924,835	905,049
Amherst Mobile Home Park	12,376	12,013
Cinnamon Lake tap fees	84,397	82,011
Medina County ETL1	18,629	18,425
Other	57,131	4,137
Interest	11,788	6,442
Inventory (Note 1)	481,683	521,798
Prepaid expenses (Note 1)	72,486	66,634
Total current assets	15,928,261	13,473,191
NONCURRENT ASSETS:		
Amherst Mobile Home Park receivable (Note 15)	257,463	269,839
Cinnamon Lake tap fees receivable (Note 11)	1,215,672	1,301,024
Medina County ETL1 receivable (Note 13)	37,878	56,506
Restricted cash and investments, At fair value (Note 2)	8,316,492	8,277,320
Investment in joint venture, At cost (Note 10)	3,623,211	3,778,472
Total noncurrent assets	13,450,716	13,683,161
CAPITAL ASSETS, AT COST: (Note 1)		
Capital assets not being depreciated:		
Land	317,539	317,539
Easements	378,786	378,786
Current construction	9,914	56,418
Total capital assets not being depreciated	706,239	752,743
Capital assets (net of accumulated depreciation of $47,913,180 in 2018 and $45,528,212 in 2017)	40,924,573	41,994,452
Total capital assets	41,630,812	42,747,195
OTHER ASSETS:		
Net pension asset (Note 6)	5,161	0
TOTAL ASSETS	71,014,950	69,903,547
DEFERRED OUTFLOW OF RESOURCES:		
Pension (Note 6)	710,198	1,549,645
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 71,725,148	$ 71,453,192

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2018 and 2017

LIABILITIES	2018	2017
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,030,728	$ 2,140,731
Accounts payable	507,688	736,311
Tank painting (Note 12)	429,000	429,000
Taxes payable	37,253	19,109
Compensated absences payable (Note 1)	494,334	586,701
Tenant deposits	106,400	109,050
Unearned tap fees	0	1,250
Subdivision rebates	125,000	0
Accrued expenses:		
Wages	75,769	67,275
Interest	128,270	148,201
Total current liabilities	2,934,442	4,237,628
LONG-TERM DEBT: (Note 4)		
Bonds and notes payable:		
2015 Series	7,265,781	9,043,713
Notes payable - Bank	145,808	286,795
OWDA	7,308,537	7,777,323
USDA	2,051,600	2,089,100
Total long-term debt	16,771,726	19,196,931
Less: Current portion	1,030,728	2,140,731
Long-term debt, Net of current portion	15,740,998	17,056,200
Net pension liability (Note 6)	2,654,891	3,793,682
Net OPEB liability (Note 7)	1,813,497	0
TOTAL LIABILITIES	23,143,828	25,087,510
DEFERRED INFLOW OF RESOURCES:		
Pension (Note 6)	622,290	89,117
NET POSITION:		
Net investment in capital assets	24,859,086	23,550,264
Restricted for bonds payable	5,922,349	6,026,023
Unrestricted	17,177,595	16,700,278
TOTAL NET POSITION	47,959,030	46,276,565
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 71,725,148	$ 71,453,192

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUE:		
Water sales	$ 14,869,564	$ 14,633,013
Tap fees	756,856	938,133
Subdivision fees	46,908	0
Total operating revenue	15,673,328	15,571,146
OPERATING EXPENSES	12,070,901	12,328,973
INCOME FROM OPERATIONS	3,602,427	3,242,173
NONOPERATING REVENUE:		
Penalty income	192,113	183,590
Miscellaneous	192,632	178,575
1926(b) Revenue	86,023	97,415
Water line reimbursements	47,886	12,913
Discounts earned	419	414
Investment income	337,131	158,673
Unrealized gain (loss) on investments	(461)	(472)
Gain (loss) on disposal of assets	2,811	(38,334)
Total nonoperating revenue	858,554	592,774
Income from operating and nonoperating revenue	4,460,981	3,834,947
NONOPERATING EXPENSES:		
Interest expense	632,433	723,644
Change in value of investment in joint venture	155,261	155,261
Bad debts	1,554	1,900
Total nonoperating expenses	789,248	880,805
CHANGE IN NET POSITION	3,671,733	2,954,142
BEGINNING NET POSITION	46,276,565	43,322,423
Restatement of net position (Note 14)	(1,989,268)	0
Net position - Beginning of period - Restated	44,287,297	43,322,423
ENDING NET POSITION	$ 47,959,030	$ 46,276,565

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 15,708,605	$ 15,566,553
Cash payments to suppliers for goods and services	(6,531,061)	(5,977,862)
Cash payments to employees and professional contractors for services and benefits	(3,198,922)	(3,397,118)
Net cash provided by operating activities	5,978,622	6,191,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment and current construction	(1,312,181)	(2,304,577)
Proceeds from sale of equipment	0	0
Repayment of 2015 Series Bonds	(1,730,000)	(1,660,001)
Repayment of notes payable	(647,273)	(625,516)
Interest paid on debt	(700,296)	(787,043)
Net cash used in capital and related financing activities	(4,389,750)	(5,377,137)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	336,670	158,201
Net cash provided by investing activities	336,670	158,201
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Other nonoperating activities	521,884	434,573
Net cash provided by non-capital activities	521,884	434,573

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
INCREASE IN CASH AND CASH EQUIVALENTS	2,447,426	1,407,210
CASH AND CASH EQUIVALENTS - Beginning of period	20,134,002	18,726,792
CASH AND CASH EQUIVALENTS - End of period	$ 22,581,428	$ 20,134,002

PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$ 3,602,427	$ 3,242,173
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,431,375	2,518,905
(Gain) Loss on disposal of assets	(2,811)	38,334
Increase in OPERS expense per GASB 68 and 71	232,721	500,670
Decrease in OPERS expense per GASB 75	(179,824)	0
Bad debts	(1,554)	(1,900)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	35,277	(4,593)
Inventory	40,115	(11,629)
Prepaid expenses	(5,852)	(2,865)
Increase (decrease) in:		
Accounts payable	(228,623)	(78,579)
Taxes payable	18,144	2,063
Compensated absences payable	(92,367)	(10,983)
Deposits	121,100	(7,100)
Accrued expenses	8,494	7,077
Net cash provided by operating activities	$ 5,978,622	$ 6,191,573

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies:

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was created by the court on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority was organized as a nonprofit corporation for the purpose of providing a water supply for domestic, industrial, and public use to users within and outside the district. The Authority is exempt from federal income tax. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district. The following is a summary of significant accounting policies:

A. Introduction:

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. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Basis of Accounting:

The Rural Lorain County Water Authority prepares its financial statements on an accrual basis. By virtue of its by-laws, the Authority is required to make appropriations in accordance with budgetary policies.

C. Investments:

Investment procedures are restricted by the Provisions of the Ohio Revised Code. Short-term investments consist of certificates of deposit, U.S. Government Income Funds, or U.S. Treasury Funds. Long-term investments consist of U.S. Treasury Bonds and Notes. Investments are reported at fair value which is based on quoted market prices.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Note 1. Summary of Significant Accounting Policies (Continued):

D. Budgetary Process:

Budget - Thirty days before the end of each fiscal year a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the General Manager. The Board may amend said budget as it deems proper. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed $50,000, provided there are sufficient funds appropriated and remaining in the account of the fund from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriation of funds and may also transfer any part of an unencumbered balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient. During the year, supplemental appropriations were authorized; however, none of these amendments are significant.

E. Inventory:

Inventory, which consists of raw materials, is stated at the lower of cost or market. In general, cost as applied to inventory valuation represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory.

F. Capital Assets:

The minimum capitalization threshold is any individual item with a total cost of greater than $750 and a useful life of more than one year. Capital assets including major renewals or betterments are capitalized and stated at historical cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. Expenditures for major renewals, betterments, adaptations, or restorations that extend the useful lives of property and equipment are capitalized.

The ranges of estimated useful lives used in computing depreciation are as follows:

Water Lines and Water Tanks	40 Years
Pump Stations	20 Years
Buildings and Building Improvements	4-20 Years
Machinery, Equipment, and Office Furniture	3-10 Years

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

The Authority, by action of its Board, has adopted the policy of capitalizing meter replacement costs over a ten-year period with one-half year of depreciation being taken in the year of replacement. In 1992 and prior years, the Authority expensed all replacement meters at the time of installation.

Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation expense for the years ended December 31, 2018 and 2017 was $2,431,375 and $2,518,905, respectively.

A summary of changes in capital assets for the year ended December 31, 2018, is as follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Land	$ 317,539	$ -	$ -	$ 317,539
Easements	378,786	-	-	378,786
Buildings	2,378,390	-	-	2,378,390
Tanks, stations, and lines	71,426,380	810,489	-	72,236,869
Meters and replacements	9,319,069	346,547	-	9,665,616
Furniture and fixtures	1,651,867	51,610	(20,930)	1,682,547
Machinery, equipment, and vehicles	2,746,958	158,117	(30,744)	2,874,331
Current construction	56,418	(46,504)	-	9,914
	88,275,407	1,320,259	(51,674)	89,543,992
Less accumulated depreciation				
Buildings	(2,138,770)	(87,571)	-	(2,226,341)
Tanks, stations, and lines	(36,830,206)	(1,634,023)	-	(38,464,229)
Meters and replacements	(2,932,794)	(472,883)	-	(3,405,677)
Furniture and fixtures	(1,555,418)	(48,929)	20,930	(1,583,417)
Machinery, equipment, and vehicles	(2,071,024)	(193,236)	30,744	(2,233,516)
Total accumulated depreciation	(45,528,212)	(2,436,642)	51,674	(47,913,180)
Net capital assets	$ 42,747,195	$ (1,116,383)	$ -	$ 41,630,812

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

A summary of changes in capital assets for the year ended December 31, 2017, is as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Land	$ 317,539	$ -	$ -	$ 317,539
Easements	378,286	500	-	378,786
Buildings	2,375,606	2,784	-	2,378,390
Tanks, stations, and lines	68,081,658	3,838,554	(493,832)	71,426,380
Meters and replacements	9,263,103	55,966	-	9,319,069
Furniture and fixtures	1,631,407	29,671	(9,211)	1,651,867
Machinery, equipment, and vehicles	2,471,237	275,721	-	2,746,958
Current construction	1,971,907	(1,915,489)	-	56,418
	86,490,743	2,287,707	(503,043)	88,275,407
Less accumulated depreciation				
Buildings	(2,040,855)	(97,915)	-	(2,138,770)
Tanks, stations, and lines	(35,580,528)	(1,705,176)	455,498	(36,830,206)
Meters and replacements	(2,466,341)	(466,453)	-	(2,932,794)
Furniture and fixtures	(1,494,320)	(70,309)	9,211	(1,555,418)
Machinery, equipment, and vehicles	(1,872,842)	(198,182)	-	(2,071,024)
Total accumulated depreciation	(43,454,886)	(2,538,035)	464,709	(45,528,212)
Net capital assets	$ 43,035,857	$ (250,328)	$ (38,334)	$ 42,747,195

G. Prepaid Expenses:

Prepaid expenses are expensed over their economic useful lives.

H. Debt Issue Costs:

Per the guidelines of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," debt issue costs that were previously recorded as a deferred charge over the life of the bonds' payback period will be expensed as incurred for financial statement periods beginning after December 31, 2012. Debt issue costs for the years ended December 31, 2018 and 2017 were $-0- and $-0-, respectively.

I. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

Note 1. Summary of Significant Accounting Policies (Continued):

J. Compensated Absences Payable:

Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. After one year of service, employees are entitled to all accrued vacation leave upon termination.

Sick leave accumulates to employees at a rate of 4.6 hours for every 80 hours of service. Upon retirement, employees are entitled to 100% of their accumulated sick leave balance at the rate of pay at the time of retirement if an employee was hired before December 31, 2000. If an employee was hired on or after January 1, 2001, and retires, their accumulated sick leave is paid out at the rate of pay that it was accrued. In the event of the employee's death, 100% of their accumulated sick leave balance would be paid to the employee's life insurance beneficiary. The employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses, years of service at retirement, or death. A liability for unused sick leave is not recorded in the financial statements unless the employee has accumulated sick leave after becoming eligible for retirement, which would be payable in its entirety. The unrecorded estimated unused sick leave for the years ended December 31, 2018 and 2017 was $327,989 and $376,906, respectively; the recorded estimated unused sick leave and vacation for the years ended December 31, 2018 and 2017 reflected in the compensated absences payable amount on page 14 was $494,334 and $586,701, respectively.

K. Statements of Cash Flows:

For the purposes of the Statements of Cash Flows, all liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents. Because the Authority, at its option, can withdraw amounts within a three month time period on the 5-year Treasury Bills, the Treasury Bills are considered to be cash equivalents. Cash and cash equivalents as of December 31, 2018 and 2017, consist of:

	2018	2017
Cash:		
General	$ 1,264,936	$ 856,682
Working capital	2,672,953	3,710,808
Capital improvements	10,327,047	7,289,192
Restricted cash and investments	8,316,492	8,277,320
	$22,581,428	$20,134,002

Note 1. Summary of Significant Accounting Policies (Continued):

L. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

M. Receivables:

The Authority considers receivables to be collectible with an allowance for doubtful accounts that is based on the Authority's collection receivable policy.

N. Net Position:

The Authority has restricted net position to be used to fund future debt service requirements. None of the Authority's restricted net position of $5,922,349 and $6,026,023, for 2018 and 2017, respectively, was restricted by enabling legislation. Restricted net position would be applied first when there is an expense that applies to both.

O. Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 6).

Note 1. Summary of Significant Accounting Policies (Continued):

P. Pensions:

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

Q. Operating and Nonoperating Revenue and Expenses:

Operating revenue and expenses generally result from providing a water supply for the Authority's users. The principal operating revenue of the Authority consists of charges to customers for sales of water and taps. Operating expenses include the cost of water and tap sales, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Description of Funds:

A. Revenue Fund:

This fund receives all revenues from operations, and it is maintained in the custody of the Authority, separate and distinct from all other funds of the Authority. With the exception of investment income on funds other than the Revenue Fund, all revenue shall be deposited in the Revenue Fund. Expenditures from this fund are limited to all reasonable and proper expenses of operating, repairing, and maintaining the system, excluding depreciation and capital replacements. Also, required payments are made into the remaining funds from this fund.

B. Bond Reserve Fund:

This fund is maintained in the custody of the Trustee as a trust fund and shall be used solely for the payment of bond service charges on the bonds, and to the extent provided herein, by purchase for cancellation or redemption of bonds. Payment shall be made by the Authority on or before the 20th of each month to fund this account until the balance exceeds one year's bond requirements. This fund was fully funded at the time bonds were issued.

C. Bond Fund:

This fund is maintained in the custody of the Trustee as a trust fund and is used solely for the payment of bond service charges provided herein, by purchase for cancellation or redemption of bonds. The Authority is required by bond agreement to make monthly payments to the fund for interest and redemption payments on or before the 20th of each month.

Note 2. Description of Funds (Continued):

D. Replacement and Improvement Fund:

This fund is maintained in the custody of the Trustee as a trust fund separate and distinct from all other funds of the Authority. The monies held in the Replacement and Improvement Fund are transferred to the Bond Fund, to the extent necessary from time-to-time, after applying to that purpose any monies then in the System Reserve Fund, to permit the payment of all obligations payable from the Bond Fund without drawing on the Bond Reserve Fund and, otherwise, shall be used solely to replace obsolete or worn-out equipment or to make improvements to the system, or, with funds in the Bond Fund and Bond Reserve Fund and other funds made available by the Authority, to retire by purchase or by call all or part of the Bonds from time-to-time outstanding. The Authority may borrow from this fund for any improvements unless it is in default of its bond obligations.

E. Project/Administration Fund:

This fund is maintained in the custody of the Trustee as a separate account and monies in the fund will be used for expansion and capital additions to the water system.

The fund had a balance of $-0- and $-0- as of December 31, 2018 and 2017, respectively.

F. System Reserve Fund (Capital Improvements):

This fund is maintained in the custody of the Authority as a trust fund separate and distinct from all other funds of the Authority. The monies held in the System Reserve Fund shall be transferred to the Bond Fund, to the extent necessary from time-to-time, to permit the payment of all obligations payable from the Bond Fund without drawing upon the Replacement and Improvement Fund or Bond Reserve Fund, or may be transferred to the appropriate fund of the Authority to permit the payment of principal and interest on any general obligation bonds, or notes issued in anticipation thereof, issued by the Authority to pay costs of improvements to the system, and otherwise may be used for any other lawful system purpose, including without limitation, the retirement of outstanding bonds by call for redemption or by purchase for cancellation.

G. Employee Policy Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $10,000 are made each month. Monies in this fund will be used for employees entitled to 100% of their accumulated sick leave balance after becoming eligible for retirement.

Note 2. Description of Funds (Continued):

H. OWDA Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $53,000 are made each month, plus Cinnamon Lake assessments that are collected by the Ashland County Auditor, and deposited on a semi-annual basis. Monies in this fund will be used to pay the semi-annual Ohio Water Development Authority loan payments.

I. Restricted Cash and Investments:

	2018	2017
Bond reserve fund	$2,271,104	$2,261,404
Bond fund	3,651,245	3,764,619
OWDA fund	418,629	409,732
Replacement and improvement fund	762,037	752,084
Project/Administration fund	-0-	-0-
Employee policy fund	1,213,477	1,089,481
	$8,316,492	$8,277,320

Note 3. Equity in Pooled Cash and Investment:

The Rural Lorain County Water Authority maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash.

A. Legal Requirements:

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

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

Note 3. Equity in Pooled Cash and Investment (Continued):

A. Legal Requirements (Continued):

Interim deposits represent interim monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies can be deposited or invested in the following securities:

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

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

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

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

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

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

8. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this footnote, or cash, or both securities and cash, equal value for equal value;

Note 3. Equity in Pooled Cash and Investment (Continued):

A. Legal Requirements (Continued):

9. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio; and

10. Banker's acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or a debt of the Authority, 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 Authority or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party.

Based on the criteria described in GASB Statement No. 40, *"Deposits and Investment Risk Disclosures,"* as of December 31, 2018 and 2017, $500,000 and $500,000 of the Authority's bank balances of $15,898,627 and $12,767,938, respectively, were covered by federal depository insurance. The remaining balances were covered by specific securities held by the pledging financial institution's trust department in the Authority's name. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

Note 3. Equity in Pooled Cash and Investment (Continued):

B. Deposits (Continued):

The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, 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% of the deposits being secured or a rate set by the Treasurer of State.

C. Investments:

As of December 31, 2018 the Authority had the following investments:

		% of	Maturities (in Years)	
Investment Type	Fair Value	Total	Less than 1	1 - 5
First American Treasury Obligation	$ 762,037	11.4%	$762,037	0
Federated Treasury Obligation Fund	5,922,350	88.6%	5,922,350	0
	$ 6,684,387			

Note 3. Equity in Pooled Cash and Investment (Continued):

C. Investments (Continued):

As of December 31, 2017 the Authority had the following investments:

Investment Type	Fair Value	% of Total	Maturities (in Years) Less than 1	1 - 5
FNMA ("Deb") Bonds	$ 24,959	0.3%	$ 24,959	0
First American Treasury Obligation	1,321,370	17.9%	1,321,370	0
Federated Treasury Obligation Fund	6,026,023	81.6%	6,026,023	0
	$ 7,372,352			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the Authority's policy to hold instruments to maturity, limiting any investment to a maximum of five years. The targeted weighted average days to maturity for the overall Authority portfolio is not more than two years. In addition, Ohio law prescribes that all Authority investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2018, the Authority's investment in U.S. instrumentalities were all rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. As of December 31, 2017, the Authority's investment in U.S. instrumentalities (Federal National Mortgage Association Bonds) were all rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service.

Note 3. Equity in Pooled Cash and Investment (Continued):

C. Investments (Continued):

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Authority to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. The Authority's investment in U.S. agencies with fair values totaling $24,959 has maturities of $24,959 in less than one year for the year ended December 31, 2017. U.S. agencies are held in the account of U.S. Bank ("Trustee"), at the Federal Reserve Bank of Boston, Massachusetts. The Authority's securities associated with the principal and interest payment of bond proceeds in the amount of $5,922,350 and $6,026,023, for 2018 and 2017, respectively, are held in the account of U.S. Bank. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer, but does not identify specific limits on the amounts that may be so invested. More than five percent of the Authority's investments are in United States Treasury Bills, Federated Treasury Obligation Fund, and U.S. Treasury Funds.

D. Fair Value Hierarchy:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs-other than quoted prices included within level 1—that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Note 3. Equity in Pooled Cash and Investment (Continued):

D. Fair Value Hierarchy (Continued):

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2018:

	Level 1	Level 2	Total
Money markets and certificates of deposit	$1,632,105	$ -0-	$1,632,105
Federal mortgage bonds/notes	-0-	6,684,387	6,684,387
Total investments at fair value	$1,632,105	$6,684,387	$8,316,492

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2017:

	Level 1	Level 2	Total
Money markets and certificates of deposit	$ 904,968	$ -0-	$ 904,968
Treasury obligations	-0-	7,347,393	7,347,393
Federal mortgage bonds/notes	-0-	24,959	24,959
Total investments at fair value	$ 904,968	$7,372,352	$8,277,320

Note 4. Long-Term Debt:

A summary of long-term debt for the year ended December 31, 2018 is as follows:

Description	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Due Within One Year
A note payable in the amount of $145,808 is due to Huntington National Bank. The note requires annual principal and interest payments at the One-Year U.S. Treasury Security Index plus 2.12% with a maturity date of September 2019. The note is guaranteed by the United States Department of Agriculture (USDA). This note is subordinated to the Series 1999, 2003A, and 2015 senior lien revenue bonds.	$ 286,795	$ -0-	$ 140,987	$ 145,808	$ 145,808
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,226,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	1,251,000	-0-	25,000	1,226,000	26,000
A Water Resource Improvement Revenue Bond, Series 2009 is due in the amount of $825,600. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	838,100	-0-	12,500	825,600	13,000
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $6,460,000 plus a premium of $805,781. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	9,043,713	-0-	1,777,932	7,265,781	605,000
A total of $7,308,537 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	7,777,323	-0-	468,786	7,308,537	240,920
	$ 19,196,931	$ -0-	$ 2,425,205	$ 16,771,726	$ 1,030,728

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2018 is as follows:

Description	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Due Within One Year
A net pension liability in the amount of $2,654,891 was recorded based on RLCWA's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2017.	$ 3,793,682	$ 644,208	$ 1,782,999	$ 2,654,891	$ -0-
	$ 3,793,682	$ 644,208	$ 1,782,999	$ 2,654,891	$ -0-

Description	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Due Within One Year
A net OPEB liability in the amount of $1,813,497 was recorded based on RLCWA's proportionate share of OPERS Schedule of Collective OPEB Amounts per the requirements of GASB 75 based on a measurement date of December 31, 2017.	$ -0-	$ 1,813,497	$ -0-	$ 1,813,497	$ -0-
	$ -0-	$ 1,813,497	$ -0-	$ 1,813,497	$ -0-

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2017 is as follows:

Description	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Due Within One Year
A note payable in the amount of $286,795 is due to Huntington National Bank. The note requires annual principal and interest payments at the One-Year U.S. Treasury Security Index plus 2.12% with a maturity date of September 2019. The note is guaranteed by the United States Department of Agriculture (USDA). This note is subordinated to the Series 1999, 2003A, and 2015 senior lien revenue bonds.	$ 424,501	$ -0-	$ 137,706	$ 286,795	$ 140,987
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,251,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	1,275,000	-0-	24,000	1,251,000	25,000
A Water Resource Improvement Revenue Bond, Series 2009 is due in the amount of $838,100. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	850,000	-0-	11,900	838,100	12,500
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $8,190,000 plus a premium of $853,713. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	10,748,735	-0-	1,705,022	9,043,713	1,730,000
A total of $7,777,323 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	8,229,233	-0-	451,910	7,777,323	232,244
A lease agreement in the amount of $-0- is due to Futronics. The lease requires annual payments of $36,000 with the last payment made in May 2017.	36,000	-0-	36,000	-0-	-0-
	$ 21,563,469	$ -0-	$ 2,366,538	$ 19,196,931	$ 2,140,731

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2017 is as follows:

Description	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Due Within One Year
A net pension liability in the amount of $3,793,682 was recorded based on RLCWA's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2016.	$ 2,863,553	$ 965,188	$ 35,059	$ 3,793,682	$ -0-
	$ 2,863,553	$ 965,188	$ 35,059	$ 3,793,682	$ -0-

Note 4. Long-Term Debt (Continued):

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 1,030,728	$ 476,340	$ 1,507,068
2020	1,160,901	579,069	1,739,970
2021	1,197,015	546,146	1,743,161
2022	1,232,928	503,699	1,736,627
2023	1,285,365	455,446	1,740,811
2024-2028	5,142,355	1,617,932	6,760,287
2029-2033	3,411,453	666,922	4,078,375
2034-2038	710,200	267,193	977,393
2039-2043	540,400	134,645	675,045
2044-2048	207,500	38,308	245,808
2049-2053	47,100	2,061	49,161
Total	$ 15,965,945	$ 5,287,761	$ 21,253,706

The 2003, 2009, and 2015 Series bonds, OWDA loans, and USDA bonds are payable from the revenues of the Authority after the payment of operating and maintenance costs. The bonds are secured by a pledge of the monies and securities on deposit in the Reserve Fund, the Replacement and Improvement Fund, and the System Reserve Fund. The bond indentures require, among other provisions, that the Authority maintain the system in good operating condition and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid. The table above does not include the premium of $805,781 on the 2015 Series bonds. In addition, the indenture requires the establishment of certain funds as discussed in Note 2.

The 2003B and 2006 Series revenue bonds were refunded with the issuance of the 2015 Series revenue bonds. Interest cost savings on the issuance of the 2015 Series and refunding of the 2003B and 2006 Series revenue bonds was 2.27% in interest cost for a total savings in dollars of $1,193,245. The interest savings averages approximately $75,000 per year with total savings in today's dollars of approximately $1,000,000.

The Huntington National Bank note is payable from the revenues of the Authority after the payment of operating and maintenance costs. The note is guaranteed by the United States Department of Agriculture.

Note 5. Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

The Authority is exposed to various tasks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

Note 6. Retirement Commitments:

Net Pension Liability:

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

The net position liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of services, 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 Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority 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 the employee's portion). 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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in the *intergovernmental payable* on both the accrual basis and modified accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – the Authority's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

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

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

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

	2018 State and Local	2017 State and Local
Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
Actual Contribution Rates		
Employer:		
Pension	14.0%	13.0%
Post-employment Health Care Benefits	0.0%	1.0%
Total Employer	14.0%	14.0%
Employee	10.0%	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $341,138 and $307,430 for year 2018 and 2017, respectively. Of these amounts, $0 is reported as an intergovernmental payable.

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

The net pension liability 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$2,654,891
Proportion of the Net Pension Liability	0.016923%
Pension Expense	$682,620

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$3,793,682
Proportion of the Net Pension Liability	0.016762%
Pension Expense	$927,097

At December 31, 2018 and 2017, the Authority 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		
Net difference between projected and actual earnings on pension plan investments	$ 369,060	$1,242,215
Authority contributions subsequent to the measurement date	341,138	307,430
Total deferred outflows of resources	$ 710,198	$1,549,645

	2018 OPERS	2017 OPERS
Deferred Inflows of Resources		
Net differences between expected and actual experience	$ 622,290	$ 89,117
Total deferred inflows of resources	$ 622,290	$ 89,117

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

$341,138 and $307,430 reported as deferred outflows of resources for 2018 and 2017, respectively, related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2018 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	2018 OPERS	2017 OPERS
Fiscal Year Ending December 31:		
2018	$ (63,308)	$ 288,275
2019	(63,308)	288,275
2020	(63,307)	288,274
2021	(63,307)	288,274
Total	$(253,230)	$1,153,098

The net pension liability at December 31, 2018 for OPERS 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	2018	2017
Proportionate Share of the Net Pension:		
Liability	$2,654,891	$3,793,682
Proportion of the Net Pension:		
Liability	0.016923%	0.016762%

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 6. Retirement Commitments (Continued):

Net Pension Liability (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 in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2017	December 31, 2016
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	individual entry age	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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

For 2016, mortality rates were based on the RP-2014 Healthy Annuitant Table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above-described table.

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

OPERS 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 annualized 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.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (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 2017 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan, and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Note 6. Retirement Commitments (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions – OPERS (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension:			
Asset	$2,805	$5,161	$6,786
Liability	$4,714,409	$2,654,891	$937,873

Changes between Measurement Date and Report Date – In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the Authority's net pension liability is not known.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans:

Net 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 Authority'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.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Net OPEB Liability (Continued)

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan operated by the State of Ohio.

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.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

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 Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 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 the OPERS Board of Trustees, 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. The employer contribution rate is 14.0% of earnable salary from January 1 through December 31, 2018 and 2017, respectively. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

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

Each year, the OPERS Board of Trustees 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% 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 Member-Directed Plan participants for 2018 was 4.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $341,138 for 2018. Of this amount, $-0- is reported as an intergovernmental payable.

The total employer contribution rates stated in the preceding paragraphs are the statutorily required contribution rates for OPERS. The employer contributions made by Rural Lorain County Water Authority used to fund health care were $-0- and $23,648 for 2018 and 2017, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Proportion of the Net OPEB Liability: Current Measurement Date	0.01670%
Change in Proportionate Share	0.01670%
Proportionate Share of the Net OPEB Liability	$1,813,497
OPEB Expense	($179,824)

At December 31, 2018, the Authority reported no deferred outflows of resources or deferred inflows of resources related to OPEB as management deemed the amounts as insignificant to the Authority's financial position:

Deferred Outflows of Resources	
Differences between expected and actual experience	$ -0-
Changes of assumptions	-0-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-0-
Authority contributions subsequent to the measurement date	-0-
Total Deferred Outflows of Resources	$ -0-
Deferred Inflows of Resources	
Differences between expected and actual experience	$ -0-
Net difference between projected and actual earnings on OPEB plan investments	-0-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-0-
Total Deferred Inflows of Resources	$ -0-

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions - OPERS

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

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

The 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.

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio.

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

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 2017 and the long-term expected real rates of return:

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

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034.

As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$2,409,309	$1,813,497	$1,331,491

Note 7. Defined Benefit Other Post-Employment Benefits (OPEB) Plans (Continued):

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the Authority'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 percent. 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 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$1,735,130	$1,813,497	$1,894,448

Changes between Measurement Date and Report Date **–** In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the Authority's net OPEB liability is not known.

Note 8. Leasing Arrangements:

The Authority leases one copier under a 60-month operating lease, two copiers under a 48-month operating lease, two copiers under a 36-month operating lease that began in December 2013, two in April 2016, two in October 2017, one in March 2018, and expire in November 2018, two in March 2020, two in September 2020, and February 2022, respectively. These leases require rent in the amount of $321, $419, $166, $83, $180, and $289 per month plus charges for additional copies over predetermined amounts.

Note 8. Leasing Arrangements (Continued):

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2018:

Year Ending December 31,	Amount
2019	$13,644
2020	7,590
2021	3,468
2022	578
	$25,280

Office equipment lease for the years ended December 31, 2018 and 2017 was $18,565 and $20,545, respectively.

Note 9. Commitments:

A. Water Purchase Agreements:

The Authority's original and primary source of water (approximately 83.8%) has been the City of Avon Lake's water treatment plant located in northern Lorain County. On April 30, 1975, the Authority signed a long-term water purchase agreement with the City of Avon Lake with maximum amounts of water to be supplied per month.

The Authority purchases water from the Village of New London (approximately 10.7%) as a supplement to the water purchased from the City of Avon Lake. In addition to the Avon Lake agreement, the Authority signed a long-term water purchase agreement in 1996 with New London with maximum amounts of water to be supplied per month.

B. Water Supply Agreements:

The Authority has long-term agreements with various villages and municipalities to provide water in emergencies and at monthly bulk rates. The terms of the agreements vary with each municipality as to rate and period of time.

Note 10. Investment in Joint Venture:

The Authority is a member of the Medina-Lorain Water Consortium (the Consortium), which is a joint venture between the City of Avon Lake, the City of Medina, Medina County, and the Rural Lorain County Water Authority. The Consortium was created in 1999 for the purpose of construction, operation and maintenance of a water transmission line to serve members of the Consortium, and for the purpose of bulk water delivery from the City of Avon Lake. There is an ongoing financial responsibility for all parties for the maintenance and repair of the project. The Consortium is governed by representatives of the member parties. The City of Avon Lake serves as the fiscal agent for the Consortium. As of December 31, 2018 and 2017, the Authority's equity interest, at net book value, in the Consortium was $3,623,212 and $3,778,472, respectively. Financial information can be obtained from the City of Avon Lake, Finance Director, 150 Avon Belden Road, Avon Lake, Ohio 44012.

Note 11. Cinnamon Lake Tap Fees Receivable:

A receivable in the amount of $1,300,069 and $1,383,035 is due at December 31, 2018 and 2017, respectively, for tap fees from the residents of Cinnamon Lake. The fees are being collected by the Ashland County Auditor biannually over 20 years through July 2030, including interest at 2.87%.

Note 12. Tank Painting:

A payable in the amount of $429,000 is due for the painting of the LaGrange tanks in 2010. The payment is pending certification by the vendor, with payroll records, of the payment of prevailing wages as required by the Bureau of Wage and Hour Administration of the Ohio Department of Commerce. As of December 31, 2018, the certification has not been received, therefore, the payment has not been made.

Note 13. Medina County ETL1 Receivable:

A receivable in the amount of $56,507 and $74,931 is due at December 31, 2018 and 2017, respectively, for Medina County's portion of relocation costs for the ETL (Eastern Transmission Line) 1. Medina County is being billed biannually through July 2021, including interest at 2.202%.

Note 14. Change in Accounting Principle and Restatement of Net Position:

For 2018, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 85, *Omnibus* 2017, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's 2018 financial statements: however, there was no effect on the beginning net position.

GASB 74 established standards to improve the usefulness of information about postemployment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and replaces the requirements of GASB 25, 43, 50,and 57.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net position December 31, 2017	$ 46,276,565
Adjustments:	
Net OPEB liability	(1,813,497)
Other pension pension/OPEB liabilities adjustment	(175,771)
Restated Net Position December 31, 2017	44,287,297

Note 14. Change in Accounting Principle and Restatement of Net Position (Continued):

The Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 15. Amherst Mobile Home Park Tap Fees Receivable:

A receivable in the amount of $269,839 and $281,852 is due at December 31, 2018 and 2017, respectively, for a new water system for the residents of the Amherst Mobile Home Park. The fees are being collected by the Lorain County Auditor biannually over 20 years through July 2034, including interest at 3.00%.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan

Last Five Years

	2017	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.016923%	0.016762%	0.016152%	0.015823%	0.015823%
Authority's Proportionate Share of the Net Pension Liability	$ 2,654,891	$ 3,793,682	$ 2,863,553	$ 2,141,991	1,865,326
Authority's Covered-Employee Payroll	$ 2,364,846	$ 2,189,742	$ 2,010,317	$ 1,941,758	$ 2,265,383
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	112.26%	173.25%	142.44%	110.31%	82.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.54%	86.36%

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Authority Pension Contributions
Ohio Public Employees Retirement System - Traditional Plan

Last Five Years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 341,138	$ 307,430	$ 262,769	$ 241,238	$ 233,011
Contributions in Relation to the Contractually Required Contribution	(341,138)	(307,430)	(262,769)	(241,238)	(233,011)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,436,700	$ 2,364,846	$ 2,189,742	$ 2,010,317	$ 1,941,758
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	12.00%	12.00%	12.00%

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System

Last One Year (*)

	2018
Authority's Proportion of the Net OPEB Liability	0.01670%
Authority's Proportionate Share of the Net OPEB Liability	$ 1,813,497
Authority's Covered-Employee Payroll	$ 2,364,800
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	76.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.14%

* Information prior to 2018 is not available.

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

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Authority OPEB Contributions
Ohio Public Employees Retirement System

Last Two Years (*)

	2018	2017
Contractually Required Contribution	$ 0	$ 23,648
Contributions in Relation to the Contractually Required Contribution	0	(23,648)
Contribution Deficiency (Excess)	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,364,800	$ 2,364,800
Contributions as a Percentage of Covered-Employee Payroll	0.00%	1.00%

* Information prior to 2017 is not available.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF OPERATING EXPENSES

Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES:		
Wages:		
Board	$ 55,171	$ 48,901
Employees	1,718,992	1,592,982
Vacation and sick leave	251,305	256,535
O.P.E.R.S. - Pension (Note 6)	682,620	927,097
O.P.E.R.S. - OPEB (Note 7)	(179,824)	0
Payroll taxes	16,397	29,015
Insurance:		
Hospitalization	539,076	526,007
Life	4,807	4,752
General	78,648	78,013
Audit and professional fees	76,050	117,607
Legal fees	33,303	30,291
Engineering fees	9,947	2,485
Telephone	35,988	44,352
Depreciation	2,431,375	2,518,905
Utilities	38,682	31,945
Billing expense	52,827	54,160
Office equipment lease	18,565	20,545
Office supplies and expense	183,224	168,456
Clothing	18,754	18,603
Postage	106,187	106,888
Maintenance and repairs:		
Administrative building and equipment	131,801	145,989
Vehicles	75,411	118,670
Water lines	319,094	267,180
Pump stations	36,895	68,246
Tanks	270,740	65,515
Travel, mileage, and education expense	96,259	65,077
Gasoline	43,198	34,001
Water purchased	4,014,367	3,973,058
Distribution supplies	125,041	127,581
Electric pump station and tanks	378,345	370,526
Tap installations	251,112	378,138
Communication equipment	4,176	8,055
Miscellaneous expense	152,368	129,398
	$ 12,070,901	$ 12,328,973

The accompanying notes are an integral part of the financial statements.

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RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

This discussion and analysis, along with the accompanying financial reports of the Rural Lorain County Water Authority (RLCWA), are designed to provide our customers, bondholders, creditors and other interested parties with a general overview of the Authority and its financial activities.

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of RLCWA exceeded liabilities and deferred inflows by $46.3 million and $43.3 million in 2017 and 2016, respectively.

The Authority's Net Position increased by $2.95 million (6.8%) and $3.1 million (7.7%) in 2017 and 2016, respectively.

The Authority's Operating Revenues increased by $392 thousand (2.6%) and $328 thousand (2.2%) with Operating Expenses increasing $845 thousand (10.2%) and $411 thousand (5.2%) in 2017 and 2016, respectively.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Authority is a single fund using proprietary fund accounting, similar to private sector business. The Authority is described in Note 1, Summary of Significant Accounting Policies, on page seventy-nine (79). The Basic Financial Statements are presented using the accrual basis of accounting as further described in the above-mentioned note.

The **Statements of Net Position** includes all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources. This statement provides information about the nature and amounts of investments in resources (assets) owned by the Authority, and obligations owed by the Authority (liabilities) on December 31. The Authority's net position is the difference between assets and liabilities.

The **Statements of Revenue, Expenses, and Changes in Net Position** provide information on the Authority's operations over the past year and the revenue collected from user fees, charges and late fees, and other income. Revenue is reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the Authority's cash receipts and cash disbursements from operations, investing and financing activities. The statement summarizes where the cash was provided, cash uses, and changes in the balances during the year.

The **Notes to the Basic Financial Statements** provide additional information that is essential for a full understanding of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

NET POSITION

Table 1 summarizes the Net Position of the Authority. Capital Assets are reported less accumulated depreciation. Net Investment in Capital Assets are capital assets less outstanding debt used to acquire those assets.

TABLE 1

				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Current and other assets	$ 27,156,352	$ 25,885,316	$ 24,835,634	$ 1,271,036	4.9%	$ 1,049,682	4.2%
Capital assets	42,747,195	43,035,857	42,954,522	(288,662)	-0.7%	81,335	0.2%
Total assets	69,903,547	68,921,173	67,790,156	982,374	1.4%	1,131,017	1.7%
Deferred outflows of resources - Pension	$ 1,549,645	$ 1,085,127	$ 343,066	$ 464,518	42.8%	$ 742,061	216.3%
Long-term liabilities	20,849,882	22,333,583	23,973,447	(1,483,701)	-6.6%	(1,639,864)	-6.8%
Current liabilities	4,237,628	4,296,236	3,905,536	(58,608)	-1.4%	390,700	10.0%
Total liabilities	25,087,510	26,629,819	27,878,983	(1,542,309)	-5.8%	(1,249,164)	-4.5%
Deferred inflows of resources - Pension	$ 89,177	$ 54,058	$ 33,527	$ 35,119	65.0%	$ 20,531	61.2%
Net investment in capital assets	23,550,264	21,472,388	19,088,220	2,077,876	9.7%	2,384,168	12.5%
Restricted	6,026,023	5,957,637	5,646,849	68,386	1.1%	310,788	5.5%
Unrestricted	16,700,278	15,892,398	15,485,643	807,880	5.1%	406,755	2.6%
Total net position	$ 46,276,565	$ 43,322,423	$ 40,220,712	$ 2,954,142	6.8%	$ 3,101,711	7.7%

The Authority's Net Position increased $2.95 million (6.8%) and $3.1 million (7.7%) in 2017 and 2016, respectively. These increases are a result of excess revenue over expenses.

The Authority decreased long-term liabilities by $1.48 million and $1.64 million in 2017 and 2016, respectively, primarily from the payment of long-term debt.

NET POSITION (Continued)

Deferred outflows and inflows of resources – pension were recorded based on RLCWA's proportionate share of OPERS' Deferred Inflows/Outflows Amortization Tracking Worksheet per the requirements of GASB 68 and 71 based on a measurement date of December 31, 2016.

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION)

Table 2 summarizes the changes in Revenue and Expenses and the resulting change in Net Position.

TABLE 2

				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Operating revenue	$ 15,571,146	$ 15,179,521	$ 14,851,637	$ 391,625	2.6%	$ 327,884	2.2%
Operating expenses	9,144,468	8,299,410	7,888,870	845,058	10.2%	410,540	5.2%
Maintenance expenses	665,600	680,206	1,189,582	(14,606)	-2.1%	(509,376)	-42.8%
Depreciation expenses	2,518,905	2,626,191	2,514,214	(107,286)	-4.1%	111,977	4.5%
Total expenses	12,328,973	11,605,807	11,592,666	723,166	6.2%	13,141	0.1%
Operating income	3,242,173	3,573,714	3,258,971	(331,541)	-9.3%	314,743	9.7%
Nonoperating revenue	592,774	474,298	842,682	118,476	25.0%	(368,384)	-43.7%
Nonoperating expenses	(880,805)	(946,301)	(1,392,025)	65,496	-6.9%	445,724	-32.0%
Nonoperating loss	(288,031)	(472,003)	(549,343)	183,972	-39.0%	77,340	-14.1%
Change in net position	2,954,142	3,101,711	2,709,628	(147,569)	-4.8%	392,083	14.5%
Beginning net position	43,322,423	40,220,712	37,511,084	3,101,711	7.7%	2,709,628	7.2%
Ending net position	$ 46,276,565	$ 43,322,423	$ 40,220,712	$ 2,954,142	6.8%	$ 3,101,711	7.7%

STATEMENTS OF REVENUE AND EXPENSES (CHANGES IN NET POSITION) – (Continued)

Total operating revenue increased $392 thousand (2.6%) and $328 thousand (2.2%) in 2017 and 2016, respectively. Investment income increased by $80 thousand (100.2%) resulting in the majority of the increase of $118 thousand (25.0%) in nonoperating revenue for 2017.

Operations and maintenance expenses increased $830 thousand (9.2%) and decreased $99 thousand (-.1%) in 2017 and 2016, respectively. An increase in OPERS expense and water purchased accounted for the majority of the increase in operating and maintenance costs in 2017.

CAPITAL ASSETS

The Authority had $88.28 million and $86.49 million invested in capital assets (before depreciation) at December 31, 2017 and 2016, respectively, as shown in Table 3. This amount is an increase of $1.78 million (2.1%) and $2.64 million (3.1%) from the previous year.

TABLE 3

				2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Land and easements	$ 696,325	$ 695,825	$ 695,825	$ 500	0.1%	$ -	0.0%
Buildings	2,378,390	2,375,606	2,372,662	2,784	0.1%	2,944	0.1%
Tanks, stations, and lines	71,426,380	68,081,658	67,444,563	3,344,722	4.9%	637,095	0.9%
Meters and replacements	9,319,069	9,263,103	9,241,836	55,966	0.6%	21,267	0.2%
Furniture and fixtures	1,651,867	1,631,407	1,647,553	20,460	1.3%	(16,146)	-1.0%
Machinery, equipment, and vehicles	2,746,958	2,471,237	2,408,282	275,721	11.2%	62,955	2.6%
Construction in progress	56,418	1,971,907	43,396	(1,915,489)	-97.1%	1,928,511	4444.0%
Total before depreciation	88,275,407	86,490,743	83,854,117	1,784,664	2.1%	2,636,626	3.1%
Accumulated depreciation	(45,528,212)	(43,454,886)	(40,899,595)	(2,073,326)		(2,555,291)	
Total capital assets, net	$ 42,747,195	$ 43,035,857	$ 42,954,522	$ (288,662)		$ 81,335	

CAPITAL ASSETS (Continued)

The increase in capital assets (before accumulated depreciation) from 2017 to 2016 was for line extensions, relocation of lines, loop enclosures, a water tank, and six trucks.

The increase in capital assets (before accumulated depreciation) from 2015 to 2016 was for line extensions, relocation of lines, two pump station rehabilitations, water tank mixers, and a pickup truck.

DEBT

Table 4 summarizes the Authority's long-term debt. The Authority issues long-term revenue bonds to finance much of its construction.

TABLE 4

	2017	2016	2015	2017 vs 2016 Dollar Change	2017 vs 2016 Percent Change	2016 vs 2015 Dollar Change	2016 vs 2015 Percent Change
Long-term debt:							
2015 Revenue bonds	$ 9,043,713	$ 10,748,735	$ 12,406,667	$ (1,705,022)	-15.9%	$ (1,657,932)	-13.4%
Notes payable - bank	286,795	424,501	559,256	(137,706)	-32.4%	(134,755)	-24.1%
OWDA loans	7,777,323	8,229,233	8,664,879	(451,910)	-5.5%	(435,646)	-5.0%
USDA loans	2,089,100	2,125,000	2,159,500	(35,900)	-1.7%	(34,500)	-1.6%
Futronics lease payable	0	36,000	76,000	(36,000)	-100.0%	(40,000)	-52.6%
Total long-term debt	19,196,931	21,563,469	23,866,302	(2,366,538)	-11.0%	(2,302,833)	-9.6%
Less: Current maturities	(2,140,731)	(2,093,439)	(2,034,846)	(47,292)	2.3%	(58,593)	2.9%
Net total long-term debt	$ 17,056,200	$ 19,470,030	$ 21,831,456	$ (2,413,830)	-12.4%	$ (2,361,426)	-10.8%
Net pension liability	$ 3,793,682	$ 2,863,553	$ 2,141,991	$ 930,129	32.5%	$ 721,562	33.7%

See Note 4 of the financial statements for details of issuance and retirement of debt in 2017.

The Bond Reserve Fund and Bond Fund were established for payment of bond service charges and cancellation or redemption of bonds. The Bond Reserve Fund had a balance of $2,261,404 and $2,259,532 and the Bond Fund had a balance of $3,764,619 and $3,698,105 at December 31, 2017 and 2016, respectively. See Note 2 of the financial statements for more details on the bond reserve funds.

A net pension liability in the amounts of $3,793,682 and $2,863,553 were recorded based on RLCWA's proportionate share of OPERS' Schedule of Collective Pension Amounts per the requirements of GASB 68 and 71 based on a measurement date of December 31, 2016 and 2015, respectively, with the change between 2016 and 2017 due to changes in deferred inflows and deferred outflows of resources, and recording the GASB 68 pension expense.

RURAL LORAIN COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

DEBT COVERAGE

Table 5 reflects the ability of the Authority to pay both interest and the current principal installments on its outstanding debt.

TABLE 5

	2017	2016	2015
Operating revenue	$ 15,571,146	$ 15,179,521	$ 14,851,637
Nonoperating revenue - Interest	158,673	78,725	66,736
Total revenue	15,729,819	15,258,246	14,918,373
Less: Operations and maintenance expenses	(9,810,068)	(8,929,228)	(8,715,136)
Total revenue available for debt	$ 5,919,751	$ 6,329,018	$ 6,203,237
Revenue bond debt service - 2003, 2006 and 201!	$ 2,039,550	$ 2,035,950	$ 2,034,448
Revenue bond debt service - Rural development	285,948	284,649	284,372
OWDA Loans	376,036	376,036	376,036
Futronics lease	0	36,000	40,000
Total debt service requirements	$ 2,701,534	$ 2,732,635	$ 2,734,856
Combined coverage ratio - All debt	2.19	2.32	2.27

The Authority is required to meet a revenue-to-debt ratio of 1.20 for its 2003, 2006, and 2015 revenue bonds and a 1.00 ratio for rural development bonds.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the General Manager of the Rural Lorain County Water Authority, 42401 Route 303, P.O. Box 567, LaGrange, Ohio 44050.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents:		
General	$ 856,682	$ 646,776
Working capital	3,710,808	4,879,177
Capital improvements	7,289,192	4,500,823
Receivables: (Note 1)		
Trade (net allowance for doubtful accounts of $74,169 in 2017 and $75,252 in 2016)	905,049	786,411
Amherst Mobile Home Park	12,013	11,661
Cinnamon Lake tap fees	82,011	80,025
Medina County ETL1	18,425	18,223
Other	4,137	6,618
Interest	6,442	2,593
Inventory (Note 1)	521,798	510,169
Prepaid expenses (Note 1)	66,634	63,769
Total current assets	13,473,191	11,506,245
NONCURRENT ASSETS:		
Amherst Mobile Home Park receivable (Note 14)	269,839	281,852
Cinnamon Lake tap fees receivable (Note 10)	1,301,024	1,388,539
Medina County ETL1 receivable (Note 12)	56,506	74,931
Restricted cash and investments, At fair value (Note 2)	8,277,320	8,700,016
Investment in joint venture, At cost (Note 9)	3,778,472	3,933,733
Total noncurrent assets	13,683,161	14,379,071
CAPITAL ASSETS, AT COST: (Note 1)		
Capital assets not being depreciated:		
Land	317,539	317,539
Easements	378,786	378,286
Current construction	56,418	1,971,907
Total capital assets not being depreciated	752,743	2,667,732
Capital assets (net of accumulated depreciation of $45,528,212 in 2017 and $43,454,886 in 2016)	41,994,452	40,368,125
Total capital assets	42,747,195	43,035,857
TOTAL ASSETS	69,903,547	68,921,173
DEFERRED OUTFLOW OF RESOURCES:		
Pension (Note 6)	1,549,645	1,085,127
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 71,453,192	$ 70,006,300

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION

December 31, 2017 and 2016

LIABILITIES	2017	2016
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 2,140,731	$ 2,093,439
Accounts payable	736,311	814,890
Tank painting (Note 11)	429,000	429,000
Taxes payable	19,109	17,046
Compensated absences payable (Note 1)	586,701	597,684
Tenant deposits	109,050	112,400
Unearned tap fees	1,250	5,000
Accrued expenses:		
Wages	67,275	60,198
Interest	148,201	166,579
Total current liabilities	4,237,628	4,296,236
LONG-TERM DEBT: (Note 4)		
Bonds and notes payable:		
2015 Series	9,043,713	10,748,735
Notes payable - Bank	286,795	424,501
OWDA	7,777,323	8,229,233
USDA	2,089,100	2,125,000
Futronics lease payable	0	36,000
Total long-term debt	19,196,931	21,563,469
Less: Current portion	2,140,731	2,093,439
Long-term debt, Net of current portion	17,056,200	19,470,030
Net pension liability (Note 6)	3,793,682	2,863,553
TOTAL LIABILITIES	25,087,510	26,629,819
DEFERRED INFLOW OF RESOURCES:		
Pension (Note 6)	89,117	54,058
NET POSITION:		
Net investment in capital assets	23,550,264	21,472,388
Restricted for bonds payable	6,026,023	5,957,637
Unrestricted	16,700,278	15,892,398
TOTAL NET POSITION	46,276,565	43,322,423
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 71,453,192	$ 70,006,300

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUE:		
Water sales	$ 14,633,013	$ 14,499,565
Tap fees	938,133	679,956
Total operating revenue	15,571,146	15,179,521
OPERATING EXPENSES	12,328,973	11,605,807
INCOME FROM OPERATIONS	3,242,173	3,573,714
NONOPERATING REVENUE:		
Penalty income	183,590	181,976
Miscellaneous	178,575	172,787
1926(b) Revenue	97,415	5,234
Water line reimbursements	12,913	19,556
Discounts earned	414	283
Investment income	158,673	78,725
Unrealized gain (loss) on investments	(472)	1,006
Gain (loss) on disposal of assets	(38,334)	14,731
Total nonoperating revenue	592,774	474,298
Income from operating and nonoperating revenue	3,834,947	4,048,012
NONOPERATING EXPENSES:		
Interest expense	723,644	787,932
Change in value of investment in joint venture	155,261	155,261
Bad debts	1,900	3,108
Total nonoperating expenses	880,805	946,301
CHANGE IN NET POSITION	2,954,142	3,101,711
BEGINNING NET POSITION	43,322,423	40,220,712
ENDING NET POSITION	$ 46,276,565	$ 43,322,423

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 15,566,553	$ 15,324,930
Cash payments to suppliers for goods and services	(5,977,862)	(5,743,642)
Cash payments to employees and professional contractors for services and benefits	(3,397,118)	(2,909,004)
Net cash provided by operating activities	6,191,573	6,672,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment and current construction	(2,304,577)	(2,747,526)
Proceeds from sale of equipment	0	14,731
Repayment of 2015 Series Bonds	(1,660,001)	(1,609,999)
Repayment of notes payable	(625,516)	(604,901)
Interest paid on debt	(787,043)	(855,991)
Net cash used in capital and related financing activities	(5,377,137)	(5,803,686)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	158,201	79,731
Net cash provided by investing activities	158,201	79,731
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Other nonoperating activities	434,573	394,567
Net cash provided by non-capital activities	434,573	394,567

The accompanying notes are an integral part of the financial statements.

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	2017	2016
INCREASE IN CASH AND CASH EQUIVALENTS	1,407,210	1,342,896
CASH AND CASH EQUIVALENTS - Beginning of period	18,726,792	17,383,896
CASH AND CASH EQUIVALENTS - End of period	$ 20,134,002	$ 18,726,792

	2017	2016
PROVIDED BY OPERATING ACTIVITIES:		
Income from operations	$ 3,242,173	$ 3,573,714
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	2,518,905	2,626,191
(Gain) Loss on disposal of assets	38,334	(14,731)
Increase (Decrease) in OPERS expense per GASB 68 and 71	500,670	32
Bad debts	(1,900)	(3,108)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(4,593)	145,409
Inventory	(11,629)	(10,826)
Prepaid expenses	(2,865)	3,370
Increase (decrease) in:		
Accounts payable	(78,579)	319,069
Taxes payable	2,063	(917)
Compensated absences payable	(10,983)	31,492
Deposits	(7,100)	(5,050)
Accrued expenses	7,077	7,639
Net cash provided by operating activities	$ 6,191,573	$ 6,672,284

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies:

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was created by the court on August 23, 1973, to be a duly organized regional water district, a political subdivision of the State of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority was organized as a nonprofit corporation for the purpose of providing a water supply for domestic, industrial, and public use to users within and outside the district. The Authority is exempt from federal income tax. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district. The following is a summary of significant accounting policies:

A. Introduction:

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. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. Basis of Accounting:

The Rural Lorain County Water Authority prepares its financial statements on an accrual basis. By virtue of its by-laws, the Authority is required to make appropriations in accordance with budgetary policies.

C. Investments:

Investment procedures are restricted by the Provisions of the Ohio Revised Code. Short-term investments consist of certificates of deposit, U.S. Government Income Funds, or U.S. Treasury Funds. Long-term investments consist of U.S. Treasury Bonds and Notes. Investments are reported at fair value which is based on quoted market prices.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Note 1. Summary of Significant Accounting Policies (Continued):

D. Budgetary Process:

Budget - Thirty days before the end of each fiscal year a proposed budget of estimated revenues and expenditures for the succeeding fiscal year is submitted to the Board of Trustees by the General Manager. The Board may amend said budget as it deems proper. The Board of Trustees then approves the budget in its original or amended form.

Appropriations - After the budget is approved by the Board, the Board then makes appropriations of funds in accordance with said budget. Thereafter, the General Manager has the authority to authorize payment of any disbursement not to exceed $50,000, provided there are sufficient funds appropriated and remaining in the account of the fund from which payment will be made. The Board may, from time-to-time, amend or supplement said appropriation of funds and may also transfer any part of an unencumbered balance of an appropriation of any fund to any purpose or object for which the appropriation for the current fiscal year has proved insufficient. During the year, supplemental appropriations were authorized; however, none of these amendments are significant.

E. Inventory:

Inventory, which consists of raw materials, is stated at the lower of cost or market. In general, cost as applied to inventory valuation represents a moving average method whereby the cost per unit is recomputed after every addition to the inventory.

F. Capital Assets:

The minimum capitalization threshold is any individual item with a total cost of greater than $750 and a useful life of more than one year. Capital assets including major renewals or betterments are capitalized and stated at historical cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the various classes of assets. Expenditures for major renewals, betterments, adaptations, or restorations that extend the useful lives of property and equipment are capitalized.

The ranges of estimated useful lives used in computing depreciation are as follows:

Water Lines and Water Tanks	40 Years
Pump Stations	20 Years
Buildings and Building Improvements	4-20 Years
Machinery, Equipment, and Office Furniture	3-10 Years

Fully depreciated assets still in active use are included in the gross amount of capital assets, and the related allowance for depreciation is included as part of the total accumulated allowance for depreciation.

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

The Authority, by action of its Board, has adopted the policy of capitalizing meter replacement costs over a ten-year period with one-half year of depreciation being taken in the year of replacement. In 1992 and prior years, the Authority expensed all replacement meters at the time of installation.

Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation expense for the years ended December 31, 2017 and 2016 was $2,518,905 and $2,626,191, respectively.

A summary of changes in capital assets for the year ended December 31, 2017, is as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Land	$ 317,539	$ -	$ -	$ 317,539
Easements	378,286	500	-	378,786
Buildings	2,375,606	2,784	-	2,378,390
Tanks, stations, and lines	68,081,658	3,838,554	(493,832)	71,426,380
Meters and replacements	9,263,103	55,966	-	9,319,069
Furniture and fixtures	1,631,407	29,671	(9,211)	1,651,867
Machinery, equipment, and vehicles	2,471,237	275,721	-	2,746,958
Current construction	1,971,907	(1,915,489)	-	56,418
	86,490,743	2,287,707	(503,043)	88,275,407
Less accumulated depreciation				
Buildings	(2,040,855)	(97,915)	-	(2,138,770)
Tanks, stations, and lines	(35,580,528)	(1,705,176)	455,498	(36,830,206)
Meters and replacements	(2,466,341)	(466,453)	-	(2,932,794)
Furniture and fixtures	(1,494,320)	(70,309)	9,211	(1,555,418)
Machinery, equipment, and vehicles	(1,872,842)	(198,182)	-	(2,071,024)
Total accumulated depreciation	(43,454,886)	(2,538,035)	464,709	(45,528,212)
Net capital assets	$ 43,035,857	$ (250,328)	$ (38,334)	$ 42,747,195

Note 1. Summary of Significant Accounting Policies (Continued):

F. Capital Assets (Continued):

A summary of changes in capital assets for the year ended December 31, 2016, is as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Land	$ 317,539	$ -	$ -	$ 317,539
Easements	378,286	-	-	378,286
Buildings	2,372,662	2,944	-	2,375,606
Tanks, stations, and lines	67,444,563	637,095	-	68,081,658
Meters and replacements	9,241,836	21,267	-	9,263,103
Furniture and fixtures	1,647,553	22,924	(39,070)	1,631,407
Machinery, equipment, and vehicles	2,408,282	94,785	(31,830)	2,471,237
Current construction	43,396	1,928,511	-	1,971,907
	83,854,117	2,707,526	(70,900)	86,490,743
Less accumulated depreciation				
Buildings	(1,942,648)	(98,207)	-	(2,040,855)
Tanks, stations, and lines	(33,790,545)	(1,789,983)	-	(35,580,528)
Meters and replacements	(2,001,386)	(464,955)	-	(2,466,341)
Furniture and fixtures	(1,453,721)	(79,669)	39,070	(1,494,320)
Machinery, equipment, and vehicles	(1,711,295)	(193,377)	31,830	(1,872,842)
Total accumulated depreciation	(40,899,595)	(2,626,191)	70,900	(43,454,886)
Net capital assets	$ 42,954,522	$ 81,335	$ -	$ 43,035,857

G. Prepaid Expenses:

Prepaid expenses are expensed over their economic useful lives.

H. Debt Issue Costs:

Per the guidelines of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," debt issue costs that were previously recorded as a deferred charge over the life of the bonds' payback period will be expensed as incurred for financial statement periods beginning after December 31, 2012. Debt issue costs for the years ended December 31, 2017 and 2016 were $-0- and $-0-, respectively.

I. Tap Fees:

To receive service, customers are required to pay a tap fee that varies depending on when the deposit was made and the size of the meter. Fees are refundable in the event expansion does not occur in an area.

Note 1. Summary of Significant Accounting Policies (Continued):

J. Compensated Absences Payable:

Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. After one year of service, employees are entitled to all accrued vacation leave upon termination.

Sick leave accumulates to employees at a rate of 4.6 hours for every 80 hours of service. Upon retirement, employees are entitled to 100% of their accumulated sick leave balance at the rate of pay at the time of retirement if an employee was hired before December 31, 2000. If an employee was hired on or after January 1, 2001, and retires, their accumulated sick leave is paid out at the rate of pay that it was accrued. In the event of the employee's death, 100% of their accumulated sick leave balance would be paid to the employee's life insurance beneficiary. The employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses, years of service at retirement, or death. A liability for unused sick leave is not recorded in the financial statements unless the employee has accumulated sick leave after becoming eligible for retirement, which would be payable in its entirety. The unrecorded estimated unused sick leave for the years ended December 31, 2017 and 2016 was $376,906 and $321,342, respectively; the recorded estimated unused sick leave and vacation for the years ended December 31, 2017 and 2016 reflected in the compensated absences payable amount on page 75 was $586,701 and $597,684, respectively.

K. Statements of Cash Flows:

For the purposes of the Statements of Cash Flows, all liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents. Because the Authority, at its option, can withdraw amounts within a three month time period on the 5-year Treasury Bills, the Treasury Bills are considered to be cash equivalents. Cash and cash equivalents as of December 31, 2017 and 2016, consist of:

	2017	2016
Cash:		
General	$ 856,682	$ 646,776
Working capital	3,710,808	4,879,177
Capital improvements	7,289,192	4,500,823
Restricted cash and investments	8,277,320	8,700,016
	$20,134,002	$18,726,792

Note 1. Summary of Significant Accounting Policies (Continued):

L. Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

M. Receivables:

The Authority considers receivables to be collectible with an allowance for doubtful accounts that is based on the Authority's collection receivable policy.

N. Net Position:

The Authority has restricted net position to be used to fund future debt service requirements. None of the Authority's restricted net position of $6,026,023 and $5,957,637, for 2017 and 2016, respectively, was restricted by enabling legislation. Restricted net position would be applied first when there is an expense that applies to both.

O. Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 6).

Note 1. Summary of Significant Accounting Policies (Continued):

P. Pensions:

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

Q. Operating and Nonoperating Revenue and Expenses:

Operating revenues and expenses generally result from providing a water supply for the Authority's users. The principal operating revenues of the Authority consists of charges to customers for sales of water and taps. Operating expenses include the cost of water and tap sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2. Description of Funds:

A. Revenue Fund:

This fund receives all revenues from operations, and it is maintained in the custody of the Authority, separate and distinct from all other funds of the Authority. With the exception of investment income on funds other than the Revenue Fund, all revenue shall be deposited in the Revenue Fund. Expenditures from this fund are limited to all reasonable and proper expenses of operating, repairing, and maintaining the system, excluding depreciation and capital replacements. Also, required payments are made into the remaining funds from this fund.

B. Bond Reserve Fund:

This fund shall be maintained in the custody of the Trustee as a trust fund and shall be used solely for the payment of bond service charges on the bonds, and to the extent provided herein, by purchase for cancellation or redemption of bonds. Payment shall be made by the Authority on or before the 20th of each month to fund this account until the balance exceeds one year's bond requirements. This fund was fully funded at the time bonds were issued.

C. Bond Fund:

This fund is maintained in the custody of the Trustee as a trust fund and is used solely for the payment of bond service charges provided herein, by purchase for cancellation or redemption of bonds. The Authority is required by bond agreement to make monthly payments to the fund for interest and redemption payments on or before the 20th of each month.

Note 2. Description of Funds (Continued):

D. Replacement and Improvement Fund:

This fund is maintained in the custody of the Trustee as a trust fund separate and distinct from all other funds of the Authority. The monies held in the Replacement and Improvement Fund are transferred to the Bond Fund, to the extent necessary from time-to-time, after applying to that purpose any monies then in the System Reserve Fund, to permit the payment of all obligations payable from the Bond Fund without drawing on the Bond Reserve Fund and, otherwise, shall be used solely to replace obsolete or worn-out equipment or to make improvements to the system, or, with funds in the Bond Fund and Bond Reserve Fund and other funds made available by the Authority, to retire by purchase or by call all or part of the Bonds from time-to-time outstanding. The Authority may borrow from this fund for any improvements unless it is in default of its bond obligations.

E. Project/Administration Fund:

This fund is maintained in the custody of the Trustee as a separate account and monies in the fund will be used for expansion and capital additions to the water system.

The fund had a balance of $-0- and $621,398 as of December 31, 2017 and 2016, respectively.

F. System Reserve Fund (Capital Improvements):

This fund is maintained in the custody of the Authority as a trust fund separate and distinct from all other funds of the Authority. The monies held in the System Reserve Fund shall be transferred to the Bond Fund, to the extent necessary from time-to-time, to permit the payment of all obligations payable from the Bond Fund without drawing upon the Replacement and Improvement Fund or Bond Reserve Fund, or may be transferred to the appropriate fund of the Authority to permit the payment of principal and interest on any general obligation bonds, or notes issued in anticipation thereof, issued by the Authority to pay costs of improvements to the system, and otherwise may be used for any other lawful system purpose, including without limitation, the retirement of outstanding bonds by call for redemption or by purchase for cancellation.

G. Employee Policy Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $10,000 are made each month. Monies in this fund will be used for employees entitled to 100% of their accumulated sick leave balance after becoming eligible for retirement.

Note 2. Description of Funds (Continued):

H. OWDA Fund:

This fund is maintained in the custody of the Authority as a separate account. Payments of $53,000 are made each month, plus Cinnamon Lake assessments that are collected by the Ashland County Auditor, and deposited on a semi-annual basis. Monies in this fund will be used to pay the semi-annual Ohio Water Development Authority loan payments.

I. Restricted Cash and Investments:

	2017	2016
Bond reserve fund	$2,261,404	$2,259,532
Bond fund	3,764,619	3,698,105
OWDA fund	409,732	402,351
Replacement and improvement fund	752,084	751,778
Project/Administration fund	-0-	621,398
Employee policy fund	1,089,481	966,852
	$8,277,320	$8,700,016

Note 3. Equity in Pooled Cash and Investment:

The Rural Lorain County Water Authority maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash.

A. Legal Requirements:

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

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

Note 3. Equity in Pooled Cash and Investment (Continued):

A. Legal Requirements (Continued):

Interim deposits represent interim monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies can be deposited or invested in the following securities:

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

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

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

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

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

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

8. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this footnote, or cash, or both securities and cash, equal value for equal value;

Note 3. Equity in Pooled Cash and Investment (Continued):

A. Legal Requirements (Continued):

9. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio; and

10. Banker's acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Authority's average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or a debt of the Authority, 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 Authority or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. Deposits:

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party.

Based on the criteria described in GASB Statement No. 40, *"Deposits and Investment Risk Disclosures,"* as of December 31, 2017 and 2016, $500,000 and $500,000 of the Authority's bank balances of $12,767,938 and $10,864,522, respectively, were covered by federal depository insurance. The remaining balances were covered by specific securities held by the pledging financial institution's trust department in the Authority's name. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

Note 3. Equity in Pooled Cash and Investment (Continued):

B. Deposits (Continued):

The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, 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% of the deposits being secured or a rate set by the Treasurer of State.

C. Investments:

As of December 31, 2017 the Authority had the following investments:

		% of	Maturities (in Years)	
Investment Type	Fair Value	Total	Less than 1	1 - 5
FNMA ("Deb") Bonds	$ 24,959	0.3%	$ 24,959	$ -
First American Treasury Obligation	1,321,370	17.9%	1,321,370	0
Federated Treasury Obligation Fund	6,026,023	81.6%	6,026,023	0
	$ 7,372,352			

Note 3. Equity in Pooled Cash and Investment (Continued):

C. Investments (Continued):

As of December 31, 2016 the Authority had the following investments:

		% of	Maturities (in Years)	
Investment Type	Fair Value	Total	Less than 1	1 - 5
FNMA ("Deb") Bonds	$ 40,008	0.5%	$ 15,053	$ 24,955
F H L M C	45,161	0.6%	45,161	0
Federal Home Loan Mortgage Corp. Medium				
Term Notes F H L M C M T N	60,191	0.8%	60,191	0
First American Treasury Obligation	893,359	11.3%	893,359	0
Federated Treasury Obligation Fund	6,579,034	82.9%	6,579,034	0
U.S. Treasury Funds, Bonds, and Notes	305,697	3.9%	305,697	0
	$ 7,923,450			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the Authority's policy to hold instruments to maturity, limiting any investment to a maximum of five years. The targeted weighted average days to maturity for the overall Authority portfolio is not more than two years. In addition, Ohio law prescribes that all Authority investments mature within five years of purchase, unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2017, the Authority's investment in U.S. instrumentalities (Federal National Mortgage Association Bonds) were all rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. As of December 31, 2016, the Authority's investment in U.S. instrumentalities (Federal Home Loan Mortgage Corporation Medium Term Notes, Federal National Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Bonds) were all rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service.

Note 3. Equity in Pooled Cash and Investment (Continued):

C. Investments (Continued):

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the requirements of State Law, it is the policy of the Authority to require full collateralization of all investments other than obligations of the U.S. Government, its agencies and instrumentalities. The Authority's investment in U.S. agencies with fair values totaling $24,959 has maturities of $24,959 in less than one year for the year ended December 31, 2017. The Authority's investment in U.S. agencies with fair values totaling $1,038,719 has maturities of $1,013,764 in less than one year for the year ended December 31, 2016. U.S. agencies are held in the account of U.S. Bank ("Trustee"), at the Federal Reserve Bank of Boston, Massachusetts. The Authority's securities associated with the principal and interest payment of bond proceeds in the amount of $6,026,023 and $5,957,637, for 2017 and 2016, respectively, are held in the account of US Bank. Assets held by the Trustee as a custodial agent are considered legally separate from the other assets of the Trustee.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy provides that investments be diversified to reduce the risk of loss from over concentration in a single issuer, but does not identify specific limits on the amounts that may be so invested. More than five percent of the Authority's investments are in United States Treasury Bills, Federated Treasury Obligation Fund, and U.S. Treasury Funds.

D. Fair Value Hierarchy:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs-other than quoted prices included within level 1—that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Note 3. Equity in Pooled Cash and Investment (Continued):

D. Fair Value Hierarchy (Continued):

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2017:

	Level 1	Level 2	Total
Money markets and certificate of deposits	$ 904,968	$ -0-	$ 904,968
Treasury obligations	-0-	7,347,393	7,347,393
Federal mortgage bonds/notes	-0-	24,959	24,959
Total investments at fair value	$ 904,968	$7,372,352	$8,277,320

The following is a summary of the fair value hierarchy of the fair value of investments as of December 31, 2016:

	Level 1	Level 2	Total
Money markets and certificate of deposits	$ 776,566	$ -0-	$ 776,566
U.S. Treasury bonds/notes	305,697	-0-	305,697
Treasury obligations	-0-	7,472,393	7,472,393
Federal mortgage bonds/notes	-0-	145,360	145,360
Total investments at fair value	$1,082,263	$7,617,753	$8,700,016

Note 4. Long-Term Debt:

A summary of long-term debt for the year ended December 31, 2017 is as follows:

Description	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Due Within One Year
A note payable in the amount of $286,795 is due to Huntington National Bank. The note requires annual principal and interest payments at the One-Year U.S. Treasury Security Index plus 2.12% with a maturity date of September 2019. The note is guaranteed by the United States Department of Agriculture (USDA). This note is subordinated to the Series 1999, 2003A, and 2015 senior lien revenue bonds.	$ 424,501	$ -0-	$ 137,706	$ 286,795	$ 140,987
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,251,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	1,275,000	-0-	24,000	1,251,000	25,000
A Water Resource Improvement Revenue Bonds, Series 2009 is due in the amount of $838,100. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	850,000	-0-	11,900	838,100	12,500
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $8,190,000 plus a premium of $853,713. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	10,748,735	-0-	1,705,022	9,043,713	1,730,000
A total of $7,777,323 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	8,229,233	-0-	451,910	7,777,323	232,244
A lease agreement in the amount of $-0- is due to Futronics. The lease requires annual payments of $36,000 with the last payment made in May 2017.	36,000	-0-	36,000	-0-	-0-
	$ 21,563,469	$ -0-	$ 2,366,538	$ 19,196,931	$ 2,140,731

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2017 is as follows:

Description	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Due Within One Year
A net pension liability in the amount of $2,863,553 was recorded based on RLCWA's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2016.	$ 2,863,553	$ 965,188	$ 35,059	$ 3,793,682	$ -0-
	$ 2,863,553	$ 965,188	$ 35,059	$ 3,793,682	$ -0-

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2016 is as follows:

Description	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Due Within One Year
A note payable in the amount of $424,501 is due to Huntington National Bank. The note requires annual principal and interest payments at the One-Year U.S. Treasury Security Index plus 2.12% with a maturity date of September 2019. The note is guaranteed by the United States Department of Agriculture (USDA). This note is subordinated to the Series 1999, 2003A, and 2015 senior lien revenue bonds.	$ 559,256	$ -0-	$ 134,755	$ 424,501	$ 137,655
A Water Resource Improvement Revenue Bond, Series 2003A in the amount of $1,275,000 is due to the USDA. The bond requires annual principal and interest payments at an annual interest rate of 4.875% with a maturity date of February 2043.	1,298,000	-0-	23,000	1,275,000	24,000
A Water Resource Improvement Revenue Bonds, Series 2009 is due in the amount of $850,000. The Bond requires annual principal and interest payments at an annual interest rate of 4.375% with a maturity date of July 2049.	861,500	-0-	11,500	850,000	11,900
A Water Resource Improvement Revenue Bond, Series 2015 is due in the amount of $9,850,000 plus a premium of $898,735. The bond requires annual principal and interest payments at an annual interest rate from 2.00% to 5.00% with a maturity date of October 2035.	12,406,667	-0-	1,657,932	10,748,735	1,660,000
A total of $8,229,233 has been borrowed from the Ohio Water Development Authority. These notes will require semi-annual principal and interest payments due on January 1st and July 1st, including interest at rates from 2.87% to 3.86%. The maturity dates range from January 1, 2031 through January 1, 2032.	8,664,879	-0-	435,646	8,229,233	223,884
A lease agreement in the amount of $36,000 is due to Futronics. The lease requires annual payments of $36,000 with the last payment due in May 2017.	76,000	-0-	40,000	36,000	36,000
	$ 23,866,302	$ -0-	$ 2,302,833	$ 21,563,469	$ 2,093,439

Note 4. Long-Term Debt (Continued):

A summary of long-term debt for the year ended December 31, 2016 is as follows:

Description	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Due Within One Year
A net pension liability in the amount of $2,863,553 was recorded based on RLCWA's proportionate share of OPERS Schedule of Collective Pension Amounts per the requirements of GASB 68 based on a measurement date of December 31, 2015.	$ 2,141,991	$ 742,093	$ 20,531	$ 2,863,553	-0-
	$ 2,141,991	$ 742,093	$ 20,531	$ 2,863,553	$ -0-

Note 4. Long-Term Debt (Continued):

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2017, are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 2,140,731	$ 560,802	$ 2,701,533
2019	1,267,270	615,834	1,883,104
2020	1,160,901	579,069	1,739,970
2021	1,197,015	546,146	1,743,161
2022	1,232,928	503,699	1,736,627
2023-2027	5,418,088	1,825,125	7,243,213
2028-2032	4,217,285	834,255	5,051,540
2033-2037	819,600	307,013	1,126,613
2038-2042	516,400	159,018	675,418
2043-2047	280,800	51,003	331,803
2048-2052	92,200	6,095	98,295
Total	$ 18,343,218	$ 5,988,059	$ 24,331,277

The 2003, 2009, and 2015 Series bonds, OWDA loans, and USDA bonds are payable from the revenues of the Authority after the payment of operating and maintenance costs. The bonds are secured by a pledge of the monies and securities on deposit in the Reserve Fund, the Replacement and Improvement Fund, and the System Reserve Fund. The bond indentures require, among other provisions, that the Authority maintain the system in good operating condition and charge rates such that the necessary debt service payments can be made after operating and maintenance charges have been paid. The table above does not include the premium of $853,713 on the 2015 Series bonds. In addition, the indenture requires the establishment of certain funds as discussed in Note 2.

The 2003B and 2006 Series revenue bonds were refunded with the issuance of the 2015 Series revenue bonds. Interest cost savings on the issuance of the 2015 Series and refunding of the 2003B and 2006 Series revenue bonds was 2.27% in interest cost for a total savings in dollars of $1,193,245. The interest savings averages approximately $75,000 per year with total savings in today's dollars of approximately $1,000,000.

The Huntington National Bank note is payable from the revenues of the Authority after the payment of operating and maintenance costs. The note is guaranteed by the United States Department of Agriculture.

Note 5. Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

The Authority is exposed to various tasks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction of coverage from the prior year.

Note 6. Retirement Commitments:

A. Defined Benefit Pension Plans:

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Note 6. Retirement Commitments (Continued):

A. Defined Benefit Pension Plans (Continued):

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. OPERS maintains a cost-sharing, multiple-employer defined benefit post-emplyment 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 receipients 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.

The Ohio Revised Code permits, but does not require, OPERS to provide the health care to its eligible benefit recipients. Authority to establish and amend the 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 visting https://www.opers.org/financial/reports.shtml#CAFR, by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377. The State of Ohio accounts for the activities of the Retirement System, and the amount of that fund is not reflected in the accompanying financial statements.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017 and 2016, the employer contribution rate was 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records. Employer contributions for the years ended December 31, 2017, 2016, and 2015 were $331,078, $262,769, and $241,238, respectively.

Effective July 1, 1991, the Authority started a Voluntary Retirement Incentive Plan under the State of Ohio.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

Note 6. Retirement Commitments (Continued):

B. Post-Employment Benefits:

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 Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

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%.

The portion of employer contributions, made by Rural Lorain County Water Authority, that were used to fund health care were $23,639 and $63,326 for the years ended December 31, 2017 and 2016, respectively.

Note 6. Retirement Commitments (Continued):

B. Post-Employment Benefits (Continued):

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan is offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, incorporates a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the past Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

C. Net Pension Liability:

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

The net position liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of services, 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.

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority 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 the employee's portion). 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)

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

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

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

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

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

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

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

	2017 State and Local	2016 State and Local
Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
Actual Contribution Rates		
Employer:		
Pension	13.0%	12.0%
Post-employment Health Care Benefits	1.0%	2.0%
Total Employer	14.0%	14.0%
Employee	10.0%	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $331,078 and $262,769 for year 2017 and 2016, respectively. Of these amounts, $0 is reported as an intergovernmental payable.

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

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$3,793,682
Proportion of the Net Pension Liability	0.016762%
Pension Expense	$1,062,600

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017 OPERS	2016 OPERS
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$1,242,215	$822,358
Authority contributions subsequent to the measurement date	307,430	262,769
Total deferred outflows of resources	$1,549,645	$1,085,127

	2017 OPERS	2016 OPERS
Deferred Inflows of Resources		
Net differences between expected and actual experience	$ 89,117	$ 54,058
Total deferred inflows of resources	$ 89,117	$ 54,058

$307,430 and $262,769 reported as deferred outflows of resources for 2017 and 2016, respectively, related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	2017 OPERS	2016 OPERS
Fiscal Year Ending December 31:		
2018	$ 288,275	$192,075
2019	288,275	192,075
2020	288,274	192,075
2021	288,274	192,075
Total	$1,153,098	$768,300

The net pension liability at December 31, 2017 and 2016 for OPERS was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	2017	2016
Proportionate Share of the Net Pension: Liability	$3,793,682	$2,863,553
Proportion of the Net Pension: Liability	0.016762%	0.016152%

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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.

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

***Actuarial Assumptions – OPERS* (Continued)**

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 is 8.3% for 2016.

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 2015 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%	2.75%
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00%	5.66%

Note 6. Retirement Commitments (Continued):

C. Net Pension Liability (Continued):

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, 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 benefits 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.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension:			
Liability	$5,764,787	$3,793,682	$2,132,462

Note 7. Leasing Arrangements:

The Authority leases one copier under a 60-month operating lease, two copiers under a 48-month operating lease, and two copiers under a 36-month operating lease that began in December 2013, two in April 2016, and two in October 2017, and expire in November 2018, two in March 2020, and two in September 2020, respectively. These leases require rent in the amount of $321, $419, $166, $83, and $180 per month plus charges for additional copies over predetermined amounts.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2017:

Year Ending December 31,	Amount
2018	$13,707
2019	10,176
2020	4,122
	$28,005

Office equipment lease for the years ended December 31, 2017 and 2016 was $20,545 and $19,546, respectively.

Note 8. Commitments:

A. Water Purchase Agreements:

The Authority's original and primary source of water (approximately 84.7%) has been the City of Avon Lake's water treatment plant located in northern Lorain County. On April 30, 1975, the Authority signed a long-term water purchase agreement with the City of Avon Lake with maximum amounts of water to be supplied per month.

The Authority purchases water from the Village of New London (approximately 10.3%) as a supplement to the water purchased from the City of Avon Lake. In addition to the Avon Lake agreement, the Authority signed a long-term water purchase agreement in 1996 with New London with maximum amounts of water to be supplied per month.

B. Water Supply Agreements:

The Authority has long-term agreements with various villages and municipalities to provide water in emergencies and at monthly bulk rates. The terms of the agreements vary with each municipality as to rate and period of time.

Note 9. Investment in Joint Venture:

The Authority is a member of the Medina-Lorain Water Consortium (the Consortium), which is a joint venture between the City of Avon Lake, the City of Medina, Medina County, and the Rural Lorain County Water Authority. The Consortium was created in 1999 for the purpose of construction, operation and maintenance of a water transmission line to serve members of the Consortium, and for the purpose of bulk water delivery from the City of Avon Lake. There is an ongoing financial responsibility for all parties for the maintenance and repair of the project. The Consortium is governed by representatives of the member parties. The City of Avon Lake serves as the fiscal agent for the Consortium. As of December 31, 2017 and 2016, the Authority’s equity interest, at net book value, in the Consortium was $3,778,472 and $3,933,733, respectively. Financial information can be obtained from the City of Avon Lake, Finance Director, 150 Avon Belden Road, Avon Lake, Ohio 44012.

Note 10. Cinnamon Lake Tap Fees Receivable:

A receivable in the amount of $1,383,035 and $1,468,564 is due at December 31, 2017 and 2016, respectively, for tap fees from the residents of Cinnamon Lake. The fees are being collected by the Ashland County Auditor biannually over 20 years through July 2030, including interest at 2.87%.

Note 11. Tank Painting:

A payable in the amount of $429,000 is due for the painting of the LaGrange tanks in 2010. The payment is pending certification by the vendor, with payroll records, of the payment of prevailing wages as required by the Bureau of Wage and Hour Administration of the Ohio Department of Commerce. As of December 31, 2017, the certification has not been received, therefore the payment has not been made.

Note 12. Medina County ETL1 Receivable:

A receivable in the amount of $74,931 and $93,154 is due at December 31, 2017 and 2016, respectively, for Medina County's portion of relocation costs for the ETL (Eastern Transmission Line) 1. Medina County is being billed biannually through July 2021, including interest at 2.202%.

Note 13. Change in Accounting Principles:

For 2017, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 76, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" and GASB Statement No. 82, "Pension Issues – an Amendment of GASB Statements No. 67, No. 69, and No. 73."

GASB Statement No. 76 identifies, in the context of the current government financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the Authority's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Authority's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 14. Amherst Mobile Home Park Tap Fees Receivable:

A receivable in the amount of $281,852 and $293,513 is due at December 31, 2017 and 2016, respectively, for a new water system from the residents of the Amherst Mobile Home Park. The fees are being collected by the Lorain County Auditor biannually over 20 years through July 2034, including interest at 3.00%.

REQUIRED SUPPLEMENTARY INFORMATION

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan

Last Four Years

	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.016762%	0.016152%	0.015823%	0.015823%
Authority's Proportionate Share of the Net Pension Liability	$ 3,793,682	$ 2,863,553	$ 2,141,991	1,865,326
Authority's Covered-Employee Payroll	$ 2,189,742	$ 2,010,317	$ 1,941,758	$ 2,265,383
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.25%	142.44%	110.31%	82.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.54%	86.36%

RURAL LORAIN COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Authority Pension Contributions
Ohio Public Employees Retirement System - Traditional Plan

Last Four Years

	2017	2016	2015	2014
Cotractually Required Contribution	$ 307,430	$ 262,769	$ 241,238	$ 233,011
Contributions in Relation to the Contractually Required Contribution	(307,430)	(262,769)	(241,238)	(233,011)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
Authority Covered-Employee Payroll	$ 2,364,846	$ 2,189,742	$ 2,010,317	$ 1,941,758
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%

SUPPLEMENTARY INFORMATION

RURAL LORAIN COUNTY WATER AUTHORITY

STATEMENTS OF OPERATING EXPENSES

Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING EXPENSES:		
Wages:		
Board	$ 48,901	$ 49,247
Employees	1,592,982	1,654,064
Vacation and sick leave	256,535	232,470
O.P.E.R.S. (Note 6)	927,097	443,494
Payroll taxes	29,015	25,877
Insurance:		
Hospitalization	526,007	503,987
Life	4,752	4,270
General	78,013	67,637
Audit and professional fees	117,607	93,472
Legal fees	30,291	45,383
Engineering fees	2,485	20,867
Telephone	44,352	49,879
Depreciation	2,518,905	2,626,191
Utilities	31,945	34,069
Billing expense	54,160	49,267
Office equipment lease	20,545	19,546
Office supplies and expense	168,456	169,607
Clothing	18,603	16,535
Postage	106,888	104,157
Maintenance and repairs:		
Administrative building and equipment	145,989	140,094
Vehicles	118,670	71,698
Water lines	267,180	155,665
Pump stations	68,246	40,305
Tanks	65,515	272,444
Travel, mileage, and education expense	65,077	65,714
Gasoline	34,001	31,749
Water purchased	3,973,058	3,773,855
Distribution supplies	127,581	124,082
Electric pump station and tanks	370,526	353,263
Tap installations	378,138	230,062
Communication equipment	8,055	11,605
Miscellaneous expense	129,398	125,252
	$ 12,328,973	$ 11,605,807

The accompanying notes are an integral part of the financial statements.

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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*

Rural Lorain County Water Authority
Lorain County
42401 State Route 303
LaGrange, Ohio 44050

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 Rural Lorain County Water Authority, Lorain County, (the Authority) as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 6, 2019, wherein we noted in 2018 the Authority adopted Government Auditing Standards No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority'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 Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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 an instance of noncompliance or other matters we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2018-001.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Authority's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

November 6, 2019

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

1. **Finding for Recovery Repaid Under Audit – Purchase of Alcohol**

FINDING NUMBER 2018-001

<u>NONCOMPLIANCE</u>

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. This Bulletin further indicates, the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect. Additionally, Rural Lorain County Water Authority Board Credit Card Policy indicates "No individual shall use a RLCWA credit card to purchase alcohol, or to make any other non-business related purchase."

The Authority provided credit cards to certain employees for business related purchases and the former General Manager, Timothy Mahoney, was in charge of reviewing and approving credit card purchases.

Our substantive testing identified improper alcohol purchases totaling $148 charged to the Authority’s credit card by Administrative Manager, Jodi Woods during the audit period as follows:

- A $6 glass of wine purchased on February 8, 2017 prior to a board meeting.
- Thirteen alcoholic beverages totaling $73 plus $5 in liquor tax and a $16 (20%) tip purchased on September 20, 2017 at a group dinner meeting.
- A $48 purchase of beer and margarita supplies purchased on February 2, 2018 which was utilized as an employee raffle prize.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued jointly against Jodi Woods and Timothy Mahoney for $148 and in favor of the Authority's operating fund.

Ms. Woods repaid the funds via checks for $7 on August 5, 2019 and $141 on September 18, 2019.

We recommend the Authority implement additional checks of the detailed credit card transactions to ensure illegal expenditures are not being made.

Officials' Response:

The Authority has had a credit card policy for over 30 years. That policy includes a requirement for documentation as to who, what, when, where, and why the charge took place. Unfortunately, a few situations, most especially related to business meals, an itemized listing of what was received in the form of food was not included.

It should be noted that we agree, that if for some reason, the food establishment or any other vendor does not provide an itemized listing of the credit card purchase, action should be taken to procure one from the establishment. All credit card sales have been and are reviewed by the General Manager.

Effective January 2019, a new credit card policy was passed by the Board and put in place that, word for word, matches the policy as required by the State Auditor's Office. In addition, quarterly compliance and monthly payment includes a requirement that a detailed listing of all transactions be provided for approval and, if proper documentation is not present, the person who used the credit card must either (1) contact the vendor and obtain detail that properly reflects the business/government transaction that took place or (2) must personally reimburse the Authority for the charge(s) incurred. This better allows the Authority and/or any examining agent to be able to determine that the credit card purchase was justified with the proper backup.

The Authority has had a strict policy that any alcohol purchases taking place at a given function, meal, or seminar are to be paid for personally by the respective individuals. The purchases should not have occurred, and the Authority has been reimbursed for the alcohol charges.

2. **Developing and Implementing an Effective Monitoring Control System Over Credit Cards**

FINDING NUMBER 2018-002

MATERIAL WEAKNESS

Monitoring is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring should assist management in identifying unexpected results and/or possible misstatements. Additionally, adequate segregation of duties is key in protecting the funds in any organization. Proper segregation of duties requires more than one set of eyes to oversee a transaction. A secondary review may catch errors or even fraud.

Some effective monitoring practices include:

- Management review of monthly credit card statements and match to detailed receipts;
- Review of credit card expenses with independently accumulated information (budgets, past performances, etc.);
- Review and identification of large or unusual fluctuations in charges and prompt resolution of any items noted;

- Review of statements for sales tax and the request of refund;
- Ensuring that an adequate segregation of duties exists for review.

The Authority failed to perform adequate monitoring over credit card activities which resulted in numerous items charged that were not for proper public purpose as well as a finding for recovery for alcohol purchased.

AOS Bulletins 2003-005 and 2004-002 provide examples of expenditures that are deemed to be for a proper public purpose. Governmental entities, without regard to their specific nature, may not expend public monies unless they are for a proper (i.e. valid) public purpose.

The Authority had the following weaknesses related to credit card purchases:

- The Authority paid sales tax on credit card purchases of $148 in 2017 and $225 in 2018;
- There was an over the limit fee of $39 assessed in 2017;
- The Authority purchased a total of $148 in alcohol;
- There were 44 and 29 credit card transactions in 2017 and 2018, respectively, in which the Authority did not maintain itemized documentation for purchases made with its credit card and for many of these items, a clear purpose of the expenditure was not stated on the receipt or related support;
- In 2017, one receipt was not legible;
- In 2017, a 53% of $18 tip was given on a meal without a proper reason provided.

The lack of effective monitoring and documentation could lead to additional findings for recovery.

We recommend the Authority require all employees using an Authority credit card review and sign the policy and provide an itemized receipt or other supporting documentation for all purchases, including meals. Prior to payment, the Authority should review the detailed receipts to ensure adequate documentation exists to support the expenditures and determine the expenditures were for a proper public purpose.

Officials' Response:

The Authority has had a credit card policy for over 30 years. That policy includes a requirement for documentation as to who, what, when, where, and why the charge took place. Unfortunately, a few situations, most especially related to business meals, an itemized listing of what was received in the form of food was not included.

It should be noted that we agree, that if for some reason, the food establishment or any other vendor does not provide an itemized listing of the credit card purchase, action should be taken to procure one from the establishment. All credit card sales have been and are reviewed by the General Manager.

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In addition, it was pointed out that sales tax had been paid on some transactions, even though the Authority is a tax-exempt organization. In most cases there is no sales tax charged on purchases. Unfortunately, in some cases when a person who is out in the field pays for something, it is impossible to avoid being charged sales tax. To obtain a refund for a $3 sales tax charge, for example, takes hours of labor. The small amount of sales tax charged doesn't justify the amount of company time involved in obtaining the refund. Having said that, we will be looking into any organization where this occurred and determine procedures necessary to obtain reimbursement for sales tax charged, as well as avoiding getting charged sales tax at all, while using as little company time and manpower as possible to accomplish this.

Reference was made to alcohol purchased by the Authority. The Authority has had a strict policy that any alcohol purchases taking place at a given function, meal, or seminar are to be paid for personally by the respective individuals. The purchases should not have occurred, and the Authority has been reimbursed for the alcohol charges.

It should be noted that your reference to a 53% tip does not include any information as to the amount of the bill or the situation. As meetings are taking place on the road with vendors, employees, and other individuals regarding various line and construction issues, a great deal of time may be taken in restaurants where very little is spent, but the table is tied up, hence the small amount for the tab. However, the large tip represents the fact that the waiter doesn't have any other customers who otherwise would be occupying the table and tipping the waiter. Instructions have been given to staff to so note the situation and explain in detail when a situation such as this occurs

OHIO AUDITOR OF STATE
KEITH FABER

RURAL LORAIN COUNTY WATER AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 19, 2019