JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OHIO AUDITOR OF STATE
KEITH FABER

JEFFERSON WATER AND SEWER DISTRICT
FRANKLIN COUNTY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

Jefferson Water and Sewer District
Franklin County
6455 Taylor Road
Blacklick, Ohio 43004

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have[1] also issued our report dated September 4, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

September 4, 2020

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

FINANCIAL HIGHLIGHTS

The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources on December 31, 2019 and 2018 by $21,396,104 and $20,892,514 respectively. The District's net position increased by $503,590 (2.4%) in 2019 and by $4,392,333 (26.6%) in 2018.

The District's operating revenues decreased by $293,590 (4.3%) in 2019 and increased by $1,414,083 (25.9%) in 2018. Operating expenses (excluding depreciation expense) increased by $460,851 (10.6%) in 2019 and increased by $281,857 (6.9%) in 2018. Depreciation expense increased $74,666 (7.4%) in 2019 and increased $107,651 (11.9%) in 2018.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to accounting used by private sector businesses. The basic financial statements are presented using the accrual basis of accounting.

The **Statements of Net Position** include all of the District's assets, liabilities and deferred inflows/outflows of resources. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31, 2019. The District's net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing and financing activities.

STATEMENTS OF NET POSITION

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

Table 1

	2019	2018	Change	2017	Change
Current and Other Assets	$ 7,442,082	$ 6,856,176	$ 585,906	$ 6,779,520	$ 76,656
Capital Assets, Net	28,465,567	27,801,672	663,895	23,873,433	3,928,239
Total Assets	35,907,649	34,657,848	1,249,801	30,652,953	4,004,895
Deferred Outflows of Resources					
Pension	518,529	211,132	307,397	443,908	(232,776)
OPEB	78,110	41,572	36,538	-	41,572
Total Deferred Outflows of Resources	596,639	252,704	343,935	443,908	(191,204)
Long Term Liabilities	11,518,802	9,856,529	1,662,273	10,285,081	(428,552)
Current and Other Liabilities	3,567,250	3,932,119	(364,869)	3,816,538	115,581
Total Liabilities	15,086,052	13,788,648	1,297,404	14,101,619	(312,971)
Deferred Inflows of Resources					
Pension	20,298	190,075	(169,777)	15,111	174,964
OPEB	1,834	39,315	(37,481)	-	39,315
Total Deferred Inflows of Resources	22,132	229,390	(207,258)	15,111	214,279
Net Position					
Net Investment in Capital Assets	17,968,787	17,104,754	864,033	13,584,683	3,520,071
Unrestricted	3,427,317	3,787,760	(360,443)	3,395,448	392,312
Total Net Position	$ 21,396,104	$ 20,892,514	$ 503,590	$ 16,980,131	$ 3,912,383

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

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

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

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

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

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

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

The District's net position increased by $503,590 (2.4%) in 2019 and increased $3,912,383 (23.0%) in 2018 (excluding the impact of the restatement of beginning net position in 2018).

The District's assets increased by $1,249,801 in 2019. The increase is primarily a result of an increase in cash and cash equivalents and capital assets which was partially offset by decreases in investments, accounts receivable and prepaid expenses. The increase in capital assets is primarily a result of completed construction. The increase in cash and cash equivalents is a result of an excess of cash receipts over cash disbursements as well as receipt of proceeds of investments. The decrease in investments is due to investments maturing and proceeds being transferred to cash and cash equivalents. Liabilities increased $1,297,404 in 2019. This increase is primarily due to an increase in accounts payable, net pension liability and long-term debt, partially offset by a decrease in contracts payable.

Unrestricted net position decreased by $360,443 (9.52%) in 2019. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by $864,033 from 2018 to 2019 primarily due to additions of capital assets and payments on debt balances which were only partially offset by depreciation expense.

The District's assets increased by $4,004,895 in 2018. The increase is primarily a result of an increase in investments and capital assets which was partially offset by decreases in cash and cash equivalents and prepaid expenses. The increase in capital assets is primarily a result of completed construction and water and sewer line contributions. The increase in investments is primarily a result of an excess of cash receipts over cash disbursements. The decrease in cash and cash equivalents is due to investing of monies to obtain better yields. Liabilities decreased $312,971 in 2018. This decrease is primarily due to a decrease in unearned revenue, net pension liability and long-term debt, partially offset by an increase in contracts payable.

Unrestricted net position increased by $392,312 (11.6%) in 2018 (excluding the restatement of beginning net position for GASB 75 implementation for 2018). Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Net investment in capital assets increased by $3,520,071 from 2017 to 2018 primarily due to additions of capital assets and payments on debt balances which were only partially offset by depreciation expense.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2019	2018	Change	2017	Change
Operating Revenues	$6,582,722	$6,876,312	($293,590)	$5,462,229	$1,414,083
Total Operating Revenues	6,582,722	6,876,312	(293,590)	5,462,229	1,414,083
Non-Operating Revenues	334,006	188,172	145,834	152,069	36,103
Total Revenues	6,916,728	7,064,484	(147,756)	5,614,298	1,450,186
Operating Expenses					
(Excluding Depreciation)	4,818,234	4,357,383	460,851	4,075,526	281,857
Depreciation Expense	1,086,909	1,012,243	74,666	904,592	107,651
Total Operating Expenses	5,905,143	5,369,626	535,517	4,980,118	389,508
Non-Operating Expenses	507,995	459,864	48,131	424,419	35,445
Total Expenses	6,413,138	5,829,490	583,648	5,404,537	424,953
Capital Contributions	-	3,157,339	(3,157,339)	540,570	2,616,769
Changes in Net Position	503,590	4,392,333	(3,888,743)	750,331	3,642,002
Net Position at Beginning of Year	20,892,514	16,500,181 *	4,392,333	16,229,800	270,381
Net Position at End of Year	$21,396,104	$20,892,514	$503,590	$16,980,131	$3,912,383

*As restated for GASB 75.

Operating revenues decreased by $293,590 from 2018 to 2019 which is primarily due to a decrease in tap fees offset by a slight increase in charges for services.

Operating expenses increased by $535,517 from 2018 to 2019 primarily due to an increase in plant operations related expenses for sewer treatment, an increase in salary and payroll related expenses due to pension and OPEB actuarial changes, as well as an increase in depreciation expense for additional capital assets placed into service.

Operating revenues increased by $1,414,083 from 2017 to 2018 which is primarily due to an increase in charges for services and tap fees.

Operating expenses increased by $389,508 from 2017 to 2018 primarily due to an increase in plant operations related expenses for sewer treatment as well as an increase in depreciation expense for additional capital assets placed into service.

CAPITAL ASSETS

The District had $44,321,591 and $41,572,358 invested in depreciable capital assets (before depreciation) at the end of 2019 and 2018, respectively. This amount is an increase of $2,749,233 (6.6%) from 2018 to 2019 and an increase of $3,945,753 (10.5%) from 2017 to 2018. The increase in 2019 is primarily the result of the completion of construction projects. The increase in 2018 is primarily the result of donated water and sewer lines and the completion of construction projects. Additional information regarding capital assets can be found in Note D to the Basic Financial Statements.

Table 3

	2019	2018	Change	2017	Change
Non-depreciable Capital Assets					
Land and land easements	$ 777,732	$ 777,732	$ -	$ 777,732	$ -
Construction in progress	218,630	1,217,059	(998,429)	222,330	994,729
Total Non-depreciable Capital Assets	996,362	1,994,791	(998,429)	1,000,062	994,729
Depreciable Capital Assets					
Buildings and improvements	5,431,801	5,341,558	90,243	5,337,811	3,747
Completed construction	20,129,489	17,953,400	2,176,089	17,459,593	493,807
Furniture and general equipment	3,541,799	3,073,898	467,901	2,812,222	261,676
Vehicles and accessories	277,006	262,006	15,000	232,822	29,184
Donated assets	14,941,496	14,941,496	-	11,784,157	3,157,339
Totals Before Accumulated Depreciation	44,321,591	41,572,358	2,749,233	37,626,605	3,945,753
Accumulated Depreciation	(16,852,386)	(15,765,477)	(1,086,909)	(14,753,234)	(1,012,243)
Net Depreciable Capital Assets	27,469,205	25,806,881	1,662,324	22,873,371	2,933,510
Total Capital Assets	$ 28,465,567	$ 27,801,672	$ 663,895	$ 23,873,433	$ 3,928,239

DEBT

The District issues long term debt to finance much of its construction. With the exception of the Rural Development bonds and the PNC Financial Corporation loan, the Ohio Water Development Authority (OWDA) loans were used to finance most general improvement projects.

Table 4

	2019	2018	Change	2017	Change
Ohio Water Development Authority (OWDA)	$ 6,040,214	$ 5,069,844	$ 970,370	$ 5,574,998	$ (505,154)
Rural Development	4,046,700	4,124,600	(77,900)	4,199,200	(74,600)
PNC Financial Corp	-	-	-	80,000	(80,000)
Total Long Term Debt	10,086,914	9,194,444	892,470	9,854,198	(659,754)
Less: Current Maturities	763,626	657,922	105,704	695,449	(37,527)
Net Total Long Term Debt	$ 9,323,288	$ 8,536,522	$ 786,766	$ 9,158,749	$ (622,227)

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

CASH

Cash and cash equivalents were $3,409,055 on December 31, 2019 and $2,205,315 on December 31, 2018.

OTHER SIGNIFICANT INFORMATION

As described in Note L on page 38 of this report, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Mark Williams, Jefferson Water and Sewer District, 6455 Taylor Rd., Blacklick, Ohio 43004 or (614) 864-0740.

Jefferson Water and Sewer District
Statements of Net Position
As of December 31, 2019 and 2018

	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,072,719	$ 1,946,867
Investments	3,400,169	3,992,672
Accounts receivable	299,315	523,728
Inventory	26,648	18,832
Prepaid expense	41,678	50,858
Intergovernmental receivable	20,772	-
Notes receivable	150,000	-
Accrued interest receivable	5,883	-
Total Current Assets	7,017,184	6,532,957
RESTRICTED ASSETS:		
Restricted cash and cash equivalents	390,121	258,448
Water assessments receivable	25,361	34,920
Sewer assessments receivable	9,416	29,851
Total Restricted Assets	424,898	323,219
CAPITAL ASSETS:		
Capital assets, not being depreciated	996,362	1,994,791
Capital assets, net of accumulated depreciation	27,469,205	25,806,881
Total Capital Assets	28,465,567	27,801,672
Total Assets	35,907,649	34,657,848
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions	518,529	211,132
OPEB	78,110	41,572
Total Deferred Outflows of Resources	596,639	252,704
Total Assets and Deferred Outflows of Resources	$ 36,504,288	$ 34,910,552
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 1,125,675	$ 503,529
Accrued wages and benefits and withholding payroll expenses	176,536	172,012
Current portion of long term debt	763,626	657,922
Contracts payable	409,866	1,437,994
Retainage payable	-	64,480
Accrued interest payable	211,654	201,267
Customer deposits- payable	124,236	113,096
Unearned revenue	755,657	781,819
Total Current Liabilities	3,567,250	3,932,119
LONG TERM LIABILITIES:		
Long term debt less current portion	9,323,288	8,536,522
Net Pension Liabilities	1,519,512	792,247
Net OPEB Liabilities	676,002	527,760
Total Long Term Liabilities	11,518,802	9,856,529
Total Liabilities	15,086,052	13,788,648
DEFERRED INFLOWS OF RESOURCES:		
Pensions	20,298	190,075
OPEB	1,834	39,315
Total Deferred Inflows of Resources	22,132	229,390
NET POSITION:		
Net Investment in capital assets	17,968,787	17,104,754
Unrestricted	3,427,317	3,787,760
Total Net Position	21,396,104	20,892,514
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 36,504,288	$ 34,910,552

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

Jefferson Water and Sewer District

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
Charges for services	$ 4,996,176	$ 4,913,726
Tap fees	1,534,291	1,832,089
Miscellaneous income	52,255	130,497
Total Operating Revenues	6,582,722	6,876,312
OPERATING EXPENSES:		
Plant operations	2,931,962	2,767,158
Salaries and payroll related expenses	1,574,775	1,248,761
General and administration expenses	311,497	341,464
Depreciation	1,086,909	1,012,243
Total Operating Expenses	5,905,143	5,369,626
Operating Income	677,579	1,506,686
NON-OPERATING INCOME AND (EXPENSES):		
Interest income	105,513	102,340
Intergovernmental	58,488	67,158
Other Miscellaneous	29,184	18,674
Gain (Loss) on Investments	140,821	(55,523)
Interest expense	(507,995)	(404,341)
Total Nonoperating Income (Expenses)	(173,989)	(271,692)
Increase In Net Position before Capital Contributions	503,590	1,234,994
Capital Contributions - Donated Lines and Pump Station	-	3,157,339
Increase In Net Position	503,590	4,392,333
Net Position, Beginning of Year	20,892,514	16,500,181
Net Position, End of Year	$ 21,396,104	$ 20,892,514

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

Jefferson Water and Sewer District
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 6,728,718	$ 5,785,538
Cash received from other operating income	52,255	130,497
Cash payments to suppliers for goods and services	(2,619,949)	(2,851,718)
Cash payments for employee services and benefits	(1,245,937)	(1,141,724)
Net Cash Provided by Operating Activities	2,915,087	1,922,593
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other miscellaneous income	29,184	-
Customer Deposits	11,140	12,126
Net Cash Provided by/(Used for) Non-Capital Financing Activities	40,324	12,126
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction of water and sewer projects and other capital acquistions	(2,843,412)	(719,485)
Proceeds from construction loans	1,590,913	56,019
Principal payments on construction loans	(698,443)	(715,773)
Interest payments on construction loans	(439,120)	(377,179)
Special assessment collections - principal	29,994	33,866
Special assessment collections - interest	3,882	7,722
Net Cash Used for Capital and Related Financing Activities	(2,356,186)	(1,714,830)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) of investments	-	(1,252,167)
Sale of investments	558,670	-
Interest received	99,630	94,618
Net Cash Provided by (Used for) Investing Activities	658,300	(1,157,549)
Net Increase (Decrease) In Cash and Cash Equivalents	1,257,525	(937,660)
Cash and Cash Equivalents, Beginning of the Year	2,205,315	3,142,975
Cash and Cash Equivalents, End of the Year	$ 3,462,840	$ 2,205,315
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$ 677,579	$ 1,506,686
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	1,086,909	1,012,243
CHANGES IN NET ASSETS AND LIABILITIES:		
(Increase) decrease in accounts receivable	224,413	(53,351)
Decrease in prepaid expense	9,180	179,906
(Increase) decrease in inventory	(7,816)	40,412
(Increase) decrease in deferred outflows of resources - pensions	(307,397)	232,776
(Increase) in deferred outflows of resources - OPEB	(36,538)	(34,686)
Increase in accounts payable (operating)	622,146	36,586
Increase (decrease) in accrued wages and benefits and withholding payroll taxes	4,524	(12,171)
Decrease in unearned revenue	(26,162)	(906,926)
Increase (decrease) in net pension liability	727,265	(334,085)
Increase in OPEB liability	148,242	40,924
Increase (decrease) in deferred inflows of resources - pensions	(169,777)	174,964
Increase (decrease) in deferred inflows of resources - OPEB	(37,481)	39,315
Total Adjustments	2,237,508	415,907
Net Cash Provided by Operating Activities	$ 2,915,087	$ 1,922,593
NONCASH TRANSACTIONS		
Donated developer lines and pump station	$ -	$ 3,157,339
Intergovernmental revenue - interest subsidy	$ 58,488	$ 71,591
Interest expense - interest subsidy	$ (58,488)	$ (71,591)

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

NOTE A – NATURE OF ORGANIZATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

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

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

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

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

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. **Measurement Focus and Basis of Accounting**
The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all liabilities, and all deferred inflows/outflows of resources associated with operations are included on the statements of net position. The operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

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

Appropriations – Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

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

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

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

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

7. **Capital Assets**
Capital assets are stated at cost (except as noted in the next paragraph with respect to donated developer lines) and are depreciated over the estimated useful lives of the assets from 5 years to 50 years depending upon the type of asset. Buildings have an estimated useful life of 30-50 years. Water and sewer lines and related infrastructure have an estimated useful life of 25-50 years. Furniture and general equipment have an estimated useful life of 5-15 years. Vehicles and accessories have an estimated useful life of 5-7 years. The District capitalizes assets that have a value or cost in excess of $1,000 at the date of acquisition and an expected useful life of one or more years.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated developer lines are stated at acquisition value based on developer documentation, and are depreciated over 50 years, which represents the estimated useful lives of the assets. Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

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

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

9. **Interest Expense**
Interest expense for the years ended December 31, 2019 and 2018 represents the interest portion of construction loan payments to the Ohio Water Development Authority, Rural Development, and PNC Financial Corporation in the amount of $507,995 and $404,341.

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

11. **Board Designated Cash Fund**
The Board of Trustees allocates $1,500 each year, via resolution, for expenditures to be designated by the Trustees. This procedure is in accordance with the Ohio Revised Code. Board discretionary expenditures for the years ended December 31, 2019 and 2018 were $76 and $9, respectively.

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

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

14. **Net Position**
Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

16. **Restricted Assets**
Restricted assets should be reported when restrictions on asset use change the nature or normal understanding of the availability of the asset. Restricted assets represent certain resources segregated from other resources of the District to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the District or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes. For the District these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use.

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

18. **Deferred Outflows and Deferred Inflows of Resources**
Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The District recorded a deferred outflow of resources for pension and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note G and Note H. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions and postemployment benefits. (See Note G and Note H)

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

NOTE C – RECEIVABLES

Accounts receivable are presented at their net realizable value of $299,315 and $523,728 as of December 31, 2019 and 2018.

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

NOTE D – CAPITAL ASSETS

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

	Ending Balance at 12/31/2018	Additions	Deletions	Ending Balance at 12/31/2019
Capital Assets, Not Being Depreciated				
Land and Land Easements	$ 777,732	$ -	$ -	$ 777,732
Construction in Progress	1,217,059	218,630	(1,217,059)	218,630
Total Capital Assets, Not Being Depreciated	1,994,791	218,630	(1,217,059)	996,362
Capital Assets, Being Depreciated				
Buildings and Improvements	5,341,558	90,243	-	5,431,801
Water and Sewer Lines and Related Infrastucture	17,953,400	2,176,089	-	20,129,489
Vehicles and Accessories	262,006	15,000	-	277,006
Furniture and General Equipment	3,073,898	467,901	-	3,541,799
Donated Water and Sewer Lines	14,941,496	-	-	14,941,496
Total Capital Assets, Being Depreciated	41,572,358	2,749,233	-	44,321,591
Less Accumulated Depreciation:				
Buildings and Improvements	(2,364,267)	(142,701)	-	(2,506,968)
Water and Sewer Lines and Related Infrastucture	(8,031,191)	(441,654)	-	(8,472,845)
Vehicles and Accessories	(203,202)	(15,545)	-	(218,747)
Furniture and General Equipment	(1,910,062)	(187,940)	-	(2,098,002)
Donated Water and Sewer Lines	(3,256,755)	(299,069)	-	(3,555,824)
Total Accumulated Depreciation	(15,765,477)	(1,086,909)	-	(16,852,386)
Total Capital Assets Being Depreciated, Net	25,806,881	1,662,324	-	27,469,205
Total Capital Assets	$ 27,801,672	$ 1,880,954	$ (1,217,059)	$ 28,465,567

NOTE D – CAPITAL ASSETS (Continued)

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

	Ending Balance at 12/31/2017	Additions	Deletions	Ending Balance at 12/31/2018
Capital Assets , Not Being Depreciated				
Land and Land Easements	$777,732	$0	$0	$777,732
Construction in Progress	222,330	994,729	0	1,217,059
Total Capital Assets, Not Being Depreciated	1,000,062	994,729	0	1,994,791
Capital Assets, Being Depreciated				
Buildings and Improvements	5,337,811	3,747	0	5,341,558
Water and Sewer Lines and Related Infrastucture	17,459,593	493,807	0	17,953,400
Vehicles and Accessories	232,822	29,184	0	262,006
Furniture and General Equipment	2,812,222	261,676	0	3,073,898
Donated Water and Sewer Lines	11,784,157	3,157,339	0	14,941,496
Total Capital Assets, Being Depreciated	37,626,605	3,945,753	0	41,572,358
Less Accumulated Depreciation:				
Buildings and Improvements	(2,221,512)	(142,755)	0	(2,364,267)
Water and Sewer Lines and Related Infrastucture	(7,589,672)	(441,519)	0	(8,031,191)
Vehicles and Accessories	(186,408)	(16,794)	0	(203,202)
Furniture and General Equipment	(1,773,513)	(136,549)	0	(1,910,062)
Donated Water and Sewer Lines	(2,982,129)	(274,626)	0	(3,256,755)
Total Accumulated Depreciation	(14,753,234)	(1,012,243)	0	(15,765,477)
Total Capital Assets Being Depreciated, Net	22,873,371	2,933,510	0	25,806,881
Total Capital Assets	$23,873,433	$3,928,239	$0	$27,801,672

NOTE E – LONG-TERM DEBT

Loans payable related to construction of the District's infrastructure consist of the following loans payable to the Ohio Water Development Authority for December 31, 2019 and 2018:

OWDA Loans Payable:	2019	2018
6.51% due in semi-annual payments of $9,856, including interest through January 2022	52,202	67,518
6.18% due in semi-annual payments of $2,367, including interest through July 2022	12,611	16,335
5.88% due in semi-annual payments of $9,785, including interest through January 2023	60,211	75,350
5.66% due in semi-annual payments of $16,119, including interest through January 2025	148,639	171,187
5.56% due in semi-annual payments of $22,440, including interest through January 2025	210,181	242,040
5.77% due in semi-annual payments of $9,067, including interest through January 2025	84,431	97,141
5.85% due in semi-annual payments of $7,797, including interest through January 2021	21,693	35,226
6.72% due in semi-annual payments of $25,478, including interest through January 2021	70,127	113,458
6.16% due in semi-annual payments of $18,861, including interest through January 2020	17,767	52,270
6.41% due in semi-annual payments of $4,667, including interest through January 2027	54,903	60,451
6.39% due in semi-annual payments of $12,930, including interest through January 2027	152,208	167,601
6.39% due in semi-annual payments of $3,383, including interest through July 2027	41,869	45,772
6.39% due in semi-annual payments of $12,877, including interest through January 2027	151,580	166,909
6.03% due in semi-annual payments of $64,884, including interest through January 2027	773,743	853,242
6.03% due in semi-annual payments of $15,454, including interest through January 2027	184,289	203,224
6.03% due in semi-annual payments of $10,084, including interest through January 2027	120,254	132,610
6.03% due in semi-annual payments of $17,014, including interest through January 2027	202,888	223,734
5.15% due in semi-annual payments of $3,230, including interest through July 2028	46,060	49,995
4.40% due in semi-annual payments of $56,999, including interest through July 2028	839,698	914,280
4.66% due in semi-annual payments of $32,573, including interest through July 2029	516,028	555,733

NOTE E – LONG-TERM DEBT (Continued)

OWDA Loans Payable:	2019	2018
3.77% due in semi-annual payments of $27,569, Including interest through July 2021	105,268	155,026
2.01% due in semi-annual payments to be determined, through January 2033	625,158	664,440
2.70% due in semi-annual payments to be determined, through January 2033	1,548,406	6,302
Total	6,040,214	5,069,844
Less current maturities	(682,326)	(580,022)
Noncurrent OWDA loans payable	$5,357,888	$4,489,822

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount Due Within One Year
O.W.D.A.	$5,069,844	$1,590,913	$620,543	$6,040,214	$682,326
Rural Development	4,124,600	0	77,900	4,046,700	81,300
Net Pension Liabilities	792,247	727,265	0	1,519,512	0
Net OPEB Liabilities	527,760	148,242	0	676,002	0
	$10,514,451	$2,466,420	$698,443	$12,282,428	$763,626

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Amount Due Within One Year
O.W.D.A.	$5,574,998	$56,019	$561,173	$5,069,844	$580,022
Rural Development	4,199,200	0	74,600	4,124,600	77,900
PNC Financial Corp	80,000	0	80,000	0	0
Net Pension Liabilities	1,126,332	0	334,085	792,247	0
Net OPEB Liabilities	486,836	40,924	0	527,760	0
	$11,467,366	$96,943	$1,049,858	$10,514,451	$657,922

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest ratio to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due date and resulted in an interest subsidy in 2019 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated $195,712 of additional interest subsidies through 2029 in the following amounts annually:

Interest Subsidy

2020	$ 49,906
2021	41,617
2022	34,498
2023	27,253
2024	20,243
2025	13,072
2026	6,789
2027	1,584
2028	645
2029	105
Total	$195,712

NOTE E – LONG-TERM DEBT (Continued)

Maturities of the District's debt for the years subsequent to December 31, 2019 are as follows:

	OWDA Loans			Rural Development Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	$584,054	$217,062	$801,116	$81,300	$177,043	$258,343
2021	563,011	185,966	748,977	84,800	173,486	258,286
2022	503,567	156,997	660,564	88,600	169,776	258,376
2023	496,181	129,605	625,786	92,400	165,900	258,300
2024	512,600	119,148	631,748	96,500	161,858	258,358
2025-2029	1,653,780	176,786	1,830,566	549,600	742,137	1,291,737
2030-2034	178,615	7,252	185,867	680,800	610,930	1,291,730
2035-2039	-	-	-	843,300	448,390	1,291,690
2040-2044	-	-	-	1,044,800	247,043	1,291,843
2045-2046	-	-	-	484,600	32,032	516,632
Total	$4,491,808	$992,816	$5,484,624	$4,046,700	$2,928,595	$6,975,295

	Total		
	Principal	Interest	Total
2020	$665,354	$394,105	$1,059,459
2021	647,811	359,452	1,007,263
2022	592,167	326,773	918,940
2023	588,581	295,505	884,086
2024	609,100	281,006	890,106
2025-2029	2,203,380	918,923	3,122,303
2030-2034	859,415	618,182	1,477,597
2035-2039	843,300	448,390	1,291,690
2040-2044	1,044,800	247,043	1,291,843
2045-2046	484,600	32,032	516,632
Total	$8,538,508	$3,921,411	$12,459,919

The District has a 2.70 % Ohio Water Development Authority loan with an outstanding principal balance of $1,548,406 which is not included in the above amortization schedule because the loan has not been finalized.

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

In connection with the mortgage revenue bonds and Ohio Water Development Authority loans, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds and loans are payable, through their final maturities, solely from net revenues applicable to its fund. The combined principal and interest remaining to be paid on these bonds and loans as of December 31, 2019 and 2018 are $6,975,295 and $7,233,645, and $7,033,030 and $6,292,381 respectively. The coverage ratios at December 31, 2019 and 2018 were 1.45 and 2.43, respectively.

NOTE F – CAPITAL CONTRIBUTIONS

Donated Developer Lines

Donated developer sewer and water lines are shown on the face of the financial statements as capital contributions – donated lines and pump stations. The District had capital contributions of $0 for 2019 and $3,157,339 for 2018.

NOTE G – DEFINED BENEFIT RETIREMENT PLAN

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

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

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

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

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

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

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

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

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

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

The District's contractually required contribution to OPERS was $118,373 for fiscal year 2019 and $105,296 for 2018 respectively. Of this amount $17,186 and $16,654 were reported as a payroll related liability for 2019 and 2018 respectively.

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

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

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

	2019 OPERS		2018 OPERS	
Proportion of the Net Pension Liability/Asset - Prior Year		0.0050500%		0.0049600%
Proportion of the Net Pension Liability/Asset - Current Year		0.0055481%		0.0050500%
Change in Proportionate Share		0.0004981%		0.0000900%
Proportionate Share of the Net Pension Liability	$	1,519,512	$	792,247
Pension Expense	$	368,464	$	178,951

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

	2019 OPERS	2018 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$ 70	$ 809
Differences between projected and actual investment earnings	206,240	-
Changes of assumptions	132,277	94,679
Changes in proportion	61,569	10,348
Contributions subsequent to the measurement date	118,373	105,296
Total	$ 518,529	$ 211,132

	OPERS	OPERS
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	$ 19,952	$ 15,613
Differences between projected and actual investment earnings	-	170,085
Changes in proportion	346	4,377
Total	$ 20,298	$ 190,075

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

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

$118,373 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Fiscal Year Ending December 31:	
2020	$ 165,892
2021	98,916
2022	19,133
2023	95,917
	$ 379,858

Actuarial Assumptions – OPERS

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

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

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

Wage Inflation	3.25 %
Future Salary Increases	3.25 -10.75% including wage inflation at 3.25 %
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees:	3 %, simple
Post-January 7, 2013 Retirees:	3 %, simple through 2018 then 2.15 %, simple
Investment Rate of Return	7.20 %
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.

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

Actuarial Assumptions – OPERS – Continued

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

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

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

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

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

Discount Rate

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

NOTE G – DEFINED BENEFIT RETIREMENT PLAN (Continued)

Actuarial Assumptions – OPERS – Continued

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

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

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
District's proportionate share of the net pension liability	$2,244,761	$1,519,512	$916,824

NOTE H – DEFINED BENEFIT OPEB PLANS

Ohio Public Employees Retirement System

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

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

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

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

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

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

NOTE H – DEFINED BENEFIT OPEB PLANS (Continued)

Ohio Public Employees Retirement System - Continued

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 % during calendar year 2019. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 is 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 participants in the Member-Directed Plan for 2019 was 4.0 %. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contributions for health care for the fiscal years ended December 31, 2019, 2018 and 2017 were approximately $0, $0 and $6,886 respectively

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

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

	2019 OPERS	2018 OPERS
Proportion of the Net OPEB Liability/Asset - Prior Year	0.0048600%	0.0048200%
Proportion of the Net OPEB Liability/Asset - Current Year	0.0051850%	0.0048600%
Change in Proportionate Share	0.0003250%	0.0000400%
Proportionate Share of the Net OPEB Liability	$ 676,002	$ 527,760
OPEB Expense	$ 74,223	$ 45,553

NOTE H - DEFINED BENEFIT OPEB PLANS – Continued

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

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

	2019 OPERS	2018 OPERS
Deferred Outflows of Resources:		
Differences between expected and actual economic experience	$ 229	$ 411
Differences between projected and actual investment earnings	30,990	-
Changes of assumptions	21,795	38,427
Changes in proportion	25,096	2,734
Total	$ 78,110	$ 41,572
	OPERS	**OPERS**
Deferred Inflows of Resources:		
Differences between expected and actual economic experience	$ 1,834	$ -
Differences between projected and actual investment earnings	$ -	$ 39,315
Total	$ 1,834	$ 39,315

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

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

Fiscal Year Ending December 31:	OPERS
2020	$ 37,193
2021	18,011
2022	7,293
2023	13,779
	$ 76,276

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions - OPERS

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

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

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

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

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 H - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – OPERS - Continued

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

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

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

NOTE H - DEFINED BENEFIT OPEB PLANS - Continued

Actuarial Assumptions – OPERS - Continued

Discount Rate

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

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

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

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the net OPEB liability	$864,858	$676,002	$525,811

NOTE H - DEFINED BENEFIT OPEB PLANS – Continued

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

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB liability	$649,784	$676,002	$706,197

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS

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

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

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

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

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

Deposits – Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2019 and 2018, respectively, $2,532,349 and $1,435,258 of the District's bank balances of $3,433,778 and $2,213,272 were exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (continued)

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

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

Investments The District had the following investments at December 31, 2019:

		Investment Maturities			
Description	Fair Value	< 1 Year	1-2 Years	3-5 Years	>5 Years
UBS Fixed Income	$ 600,586	$ 600,586	$ -	$ -	$ -
UBS Municipal Bonds	586,409	51,233	112,351	281,521	141,304
Star Ohio	53,785	53,785	-	-	-
Raymond James Fixed Income	803,051	400,046	202,503	200,502	-
Federal Farm Credit Bank Bonds	69,801	-	-	69,801	-
Federal Home Loan Mortgage Corporation Notes	50,012	-	50,012	-	-
Federal National Mortgage Association Notes/Bonds	99,875	99,875	-	-	-
LPL Heartland ETF	1,190,435	1,190,435	-	-	-
Total Investments	$ 3,453,954	$2,395,960	$ 364,866	$ 551,824	$ 141,304

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (continued)

The District had the following investments at December 31, 2018:

		Investment Maturities			
Description	Fair Value	< 1 Year	1-2 Years	3-5 Years	>5 Years
UBS Fixed Income	$ 681,699	$ 681,699	$ -	$ -	$ -
UBS Municipal Bonds	442,829	55,732	52,529	143,216	191,352
Star Ohio	52,553	52,553	-	-	-
Raymond James Fixed Income	342,812	149,514	-	193,298	-
Federal Farm Credit Bank Bonds	68,689	-	-	68,689	-
Federal Home Loan Bank Bonds	50,038	-	-	50,038	-
Federal Home Loan Mortgage Corporation Notes	49,273	-	-	49,273	-
Federal National Mortgage Association Notes/Bonds	97,997	-	97,997	-	-
U.S. Treasury Notes	399,264	399,264	-	-	-
LPL Heartland Fixed Income	700,000	700,000	-	-	-
LPL Heartland Mutual Funds	226,223	226,223	-	-	-
LPL Heartland ETF	881,295	881,295	-	-	-
Total Investments	$ 3,992,672	$ 3,146,280	$ 150,526	$ 504,514	$ 191,352

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of December 31, 2019. All investments of the District are valued using quoted market prices (Level 1 inputs).

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no investment policy specifically dealing with interest rate risk. The District manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no investment policy specifically dealing with credit risk. Investments in money market funds were rated AAAm by Standard & Poor's, investments in municipal bonds were rated AAA, AA+, AA, AA-, A+, and A by Standard & Poor's, investments in fixed income accounts were rated A by Standard & Poor's, investments in Federal Home Loan Mortgage Corporations Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, Federal National Mortgage Association Notes/Bonds, and US Treasury Notes were all rated Aaa by Moody's, investments in Heartland ETF's were rated A by MSCI ESG, and investments in STAR Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. As of December 31, 2019, the District had invested 34% in exchange traded funds, 41% in fixed income funds, 17% in municipal bonds, 2% in Federal Farm Credit Bank bonds, 1% in Federal Home Loan Mortgage notes/bonds, 3% in Federal National Mortgage Corporation notes/bonds, and 2% in STAR Ohio. As of December 31, 2018, the District had 22% in exchange traded funds, 43% in fixed income funds, 11% in municipal bonds, 10% in government bonds/notes, 2% in Federal Farm Credit Bank bonds, 1% in Federal Home Loan Bank bonds, 1% in Federal Home Loan Mortgage notes/bonds, 3% in Federal National Mortgage Corporation notes/bonds, 6% in mutual funds and 1% in STAR Ohio.

NOTE I – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS (continued)

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy specifically dealing with custodial credit risk. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the District's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018	2017
Assets	49,921,998	44,452,326
Liabilities	(14,676,199)	(13,004,011)
Net Position	**$35,245,799**	**$31,448,315**

At December 31, 2018 and 2017, respectively, the liabilities above include approximately $13.0 million and $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.8 million and $11.2 million of unpaid claims to be billed. The Pool's membership increased from 527 members in 2017 to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, and 2017 respectively, the District's share of these unpaid claims collectible in future years was approximately $28,000 and $27,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2019	2018
$45,207	$44,362

NOTE J – RISK MANAGEMENT (continued)

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

NOTE K – CHANGE IN ACCOUNTING PRINCIPLES

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

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

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

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

NOTE L – SUBSEQUENT EVENT

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

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

NOTE M – INFORMATION BY SEGMENT

The District maintains two segments which provide water and sewer services. Information by segment for the years ended December 31, 2019 and 2018 is as follows:

2019 SEGMENT	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$2,193,144	$2,803,032	$4,996,176
Tap fees	650,095	884,196	1,534,291
Miscellaneous income	22,938	29,317	52,255
Total Operating Revenues	2,866,177	3,716,545	6,582,722
OPERATING EXPENSES:			
Plant operations	610,381	2,321,581	2,931,962
Salaries and payroll related expenses	691,270	883,505	1,574,775
General and administration expenses	139,414	172,083	311,497
Depreciation	647,122	439,787	1,086,909
Total Operating Expenses	2,088,187	3,816,956	5,905,143
Operating Income	777,990	(100,411)	677,579
NONOPERATING INCOME AND (EXPENSES):			
Interest income	52,757	52,756	105,513
Intergovernmental	29,989	28,499	58,488
Other Miscellaneous	14,592	14,592	29,184
Gain on Investments	70,411	70,410	140,821
Interest expense	(302,449)	(205,546)	(507,995)
Total Nonoperating Income (Expenses)	(134,700)	(39,289)	(173,989)
Increase In Net Position	$643,290	($139,700)	$503,590

2018 SEGMENT	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$2,163,611	$2,750,115	$4,913,726
Tap fees	559,078	1,273,011	1,832,089
Miscellaneous income	50,127	80,370	130,497
Total Operating Revenues	2,772,816	4,103,496	6,876,312
OPERATING EXPENSES:			
Plant operations	582,647	2,184,511	2,767,158
Salaries and payroll related expenses	549,854	698,907	1,248,761
General and administration expenses	153,346	188,118	341,464
Depreciation	706,665	305,578	1,012,243
Total Operating Expenses	1,992,512	3,377,114	5,369,626
Operating Income (Loss)	780,304	726,382	1,506,686
NONOPERATING INCOME AND (EXPENSES):			
Interest income	51,170	51,170	102,340
Intergovernmental	46,993	20,165	67,158
Other Miscellaneous	9,337	9,337	18,674
Loss on Investments	(27,761)	(27,762)	(55,523)
Interest expense	(282,278)	(122,063)	(404,341)
Total Nonoperating Income (Expenses)	(202,539)	(69,153)	(271,692)
Increase (Decrease) In Net Position before Capital Contributions	577,765	657,229	1,234,994
Capital Contributions - Donated Lines	1,272,548	1,884,791	3,157,339
Increase In Net Position	$1,850,313	$2,542,020	$4,392,333

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014	2013
Total plan pension liability	$ 108,264,577,647	$ 102,273,912,351	$ 99,817,932,954	$ 91,534,580,978	$ 89,017,348,266	$ 86,407,229,435
Plan net position	80,876,605,054	86,585,851,024	77,109,633,485	74,213,320,352	76,956,230,642	74,618,532,269
Net pension liability	$ 27,387,972,593	$ 15,688,061,327	$ 22,708,299,469	$ 17,321,260,626	$ 12,061,117,624	$ 11,788,697,166
District's proportion of the net pension liability	0.0055481%	0.0050500%	0.0049600%	0.0048610%	0.0047100%	0.0047100%
District's proportionate share of the net pension liability	$ 1,519,512	$ 792,247	$ 1,126,332	$ 841,986	$ 568,079	$ 555,248
District's covered payroll	$ 752,114	$ 688,900	$ 666,142	$ 617,425	$ 577,408	$ 595,946
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.03%	115.00%	169.08%	136.37%	98.38%	93.17%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 118,373	$ 105,296	$ 89,557	$ 79,937	$ 74,091	$ 69,289	$ 77,473	$ 55,561	$ 50,484	$ 43,775
Contributions in relation to the contractually required contribution	(118,373)	(105,296)	(89,557)	(79,937)	(74,091)	(69,289)	(77,473)	(55,561)	(50,484)	(43,775)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 845,521	$ 752,114	$ 688,900	$ 666,142	$ 617,425	$ 577,408	$ 595,946	$ 555,610	$ 504,840	$ 500,286
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%

Notes to Required Supplementary Information - Pension

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

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

Jefferson Water and Sewer District

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Three Years (1)

	2018	**2017**	**2016**
Total plan OPEB liability	$ 24,290,625,123	$ 23,678,097,060	$ 21,980,827,536
Plan net position	11,252,985,702	12,818,833,665	11,880,487,863
Net OPEB liability	13,037,639,421	10,859,263,395	10,100,339,673
District's proportion of the net OPEB liability	0.00518500%	0.00486000%	0.00482000%
District's proportionate share of the net OPEB liability	$ 676,002	$ 527,760	$ 486,836
District's covered payroll	$ 752,114	$ 688,900	$ 666,142
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.88%	76.61%	73.08%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

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

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

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ 6,886	$ 13,323
Contributions in relation to the contractually required contribution	-	-	(6,886)	(13,323)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District covered payroll	$ 845,521	$ 752,114	$ 688,900	$ 666,142
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

Notes to Required Supplementary Information - OPEB

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

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

OHIO AUDITOR OF STATE
KEITH FABER

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

Jefferson Water and Sewer District
Franklin County
6455 Taylor Road
Blacklick, Ohio 43004

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Jefferson Water and Sewer District, Franklin, (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 4, 2020, wherein we noted the District reported the financial impact of COVID-19 and how the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

September 4, 2020

OHIO AUDITOR OF STATE
KEITH FABER

JEFFERSON WATER AND SEWER DISTRICT

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 10/20/2020

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