313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

Perry & Associates
Certified Public Accountants, A.C.

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY
Regular Audit
For the Year Ended December 31, 2016

www.perrycpas.com

..."bringing more to the table"

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •

Dave Yost • Auditor of State

Board of Directors
Eastern Ohio Regional Wastewater
PO Box 508
Bridgewater, OH 43912

We have reviewed the *Independent Auditor's Report* of the Eastern Ohio Regional Wastewater, Belmont County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

October 5, 2017

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3340 or 800-282-0370 Fax: 614-728-7398
www.ohioauditor.gov

This page intentionally left blank.

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY
BELMONT COUNTY

TABLE OF CONTENTS

TITLE	**PAGE**

This page intentionally left blank.

PERRY & Associates
Certified Public Accountants, A.C.

313 Second Street
Marietta, OH 45750
740.373.0056

1907 Grand Central Avenue
Vienna, WV 26105
304.422.2203

104 South Sugar Street
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

INDEPENDENT AUDITOR'S REPORT

July 26, 2017

Eastern Ohio Regional Wastewater Authority
Belmont County
P.O. Box 508
Bridgeport, Ohio 43912

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Eastern Ohio Regional Wastewater Authority**, Belmont County, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

..."bringing more to the table"
Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eastern Ohio Regional Wastewater Authority, Belmont County, Ohio, as of December 31, 2016 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

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

The discussion and analysis of the Eastern Ohio Regional Wastewater Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The Authority's total net position increased by 5.3 percent, or $1,062,037, from the total net position at the beginning of the year 2016.

- Total assets increased by 8.5 percent, or $2,045,585 from 2015, due primarily to increases in capital assets due to new acquisitions, as well as accounts receivable from increased rates.

- Total liabilities increased by 27.6 percent, or $1,207,339, from 2015, due primarily to increases in long term liabilities resulting from the issuance of debt and net pension liability.

Using this Annual Financial Report

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

The Statement of Net Position presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities), and the Authority's net position (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Position presents a summary of how the Authority's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing, and financing activities. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

The Authority as a Whole

Recall that the Statement of Net Position looks at the Authority as a whole. Table 1 provides a summary of the Authority's net position for 2016 compared to 2015.

Table 1
Net Position

	Business-Type Activities	
	2016	2015
Assets		
Current and Other Assets	$6,666,751	$5,930,191
Noncurrent Assets	2,001,350	1,859,527
Capital Assets, Net	17,449,210	16,282,008
Total Assets	26,117,311	24,071,726
Deferred Outflows of Resources		
Deferred Charge on Refunding	40,903	45,448
Pension	379,143	123,973
Total Deferred Outflows of Resources	420,046	169,421
Liabilities		
Current and Other Liabilities	503,358	529,185
Non-Current Liabilities:		
Net Pension Liability	1,000,476	727,406
Other Non-Current Liabilities	4,082,920	3,122,824
Total Liabilities	5,586,754	4,379,415
Deferred Inflows of Resources		
Pension	39,623	12,779
Net Position		
Net Investment in Capital Assets	14,437,969	13,014,547
Restricted	553,411	568,034
Unrestricted	5,919,600	6,266,362
Total Net Position	$20,910,980	$19,848,943

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

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

GASB 68 requires the net pension liability to equal the Authority's proportionate share of each plan's collective:

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

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

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

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

The increase in net position for 2016 was due to an increase in accounts receivable as a result of a rate increase and increases in capital assets due to acquisitions. There was also an increase in total liabilities primarily due to the issuance of debt and an increase in net pension liability.

Table 2 shows the changes in net position for 2016 as compared to 2015.

Table 2
Changes in Net Position

	Business-Type Activities 2016	Business-Type Activities 2015
Operating Revenues		
Charges for Services	$4,245,154	$3,717,801
Other Operating Revenue	20,061	33,442
Non-Operating Revenues		
Interest	8,343	7,479
Total Revenues	4,273,558	3,758,722
Operating Expenses		
Personal Services	838,584	791,993
Fringe Benefits	463,461	455,292
Contractual Services	754,229	706,748
Materials and Supplies	541,886	405,737
Depreciation	472,342	441,350
Non-Operating Expenses		
Interest and Fiscal Charges	125,242	128,953
Loss on Disposal of Capital Assets	15,777	0
Total Expenses	3,211,521	2,930,073
Change in Net Position	1,062,037	828,649
Net Position Beginning of Year	19,848,943	19,020,294
Net Position End of Year	$20,910,980	$19,848,943

The increase in materials and supplies in 2016 is a result of an increase in repair and maintenance projects performed by the Authority. The increase in personal services is a result of raises given to employees. Contractual services increased primarily due to increases in legal and engineering expenditures. The increase in charges for services is a result of the rate increase implemented in January 2016.

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the Authority had $17,449,210 invested in capital assets, net of accumulated depreciation. Table 3 shows fiscal year 2016 balances compared to 2015.

Table 3
Capital Assets
(Net of Depreciation)

	2016	2015
Land	$162,850	$162,850
Construction in Progress	1,156,349	1,754,974
Sewer Lines	2,245,980	1,734,879
Pumping and Ejector Stations	4,269,497	2,919,039
Treatment Plant	9,555,707	9,645,931
Furniture and Fixtures	58,827	64,335
Totals	$17,449,210	$16,282,008

The total increase in the Authority's capital assets, net of accumulated depreciation, for the current year was $1,167,202 or 7.2 percent. The increase in capital assets is mainly due to a treatment facility upgrade project the Authority is completing.

For additional information on capital assets, see Note 11 to the basic financial statements.

Debt

As of December 31, 2016, the Authority had total long-term revenue bonds and OWDA loans in the amount of $4,228,798. As of December 31, 2015, the Authority had total long-term revenue bonds in the amount of $3,262,090.

For additional information on debt and other long-term obligations, see Note 12 to the basic financial statements.

Current Issues

The Authority continues to increase efficiencies and automate more of its operations. These improvements continue to aid the Authority in reducing its personnel costs and related fringe benefits. All reductions have been accomplished through attrition. The current sewer rate of $27.25 per month continues to sustain Authority operations and allow for capital improvements as needed. Rates are set to increase to $28.25 on January 1, 2017.

Requests for Information

This financial report is designed to provide the Authority's citizens, taxpayers, ratepayers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report, please contact Valerie Moore, Executive Director, Eastern Ohio Regional Wastewater Authority, 6000 North Guernsey Street, Bellaire, Ohio 43906, by telephone at (740) 676-5911, or email to vmoore@eorwa.org.

Eastern Ohio Regional Wastewater Authority

Statement of Net Position

December 31, 2016

Assets	
Current:	
Equity in Pooled Cash and Cash Equivalents	$6,066,403
Accounts Receivable	580,170
Prepaid Items	20,178
Total Current Assets	6,666,751
Noncurrent:	
Restricted Assets:	
Cash and Cash Equivalents in Segregated Accounts	277,487
Investments with Fiscal and Escrow Agents	281,218
Accounts Receivable	1,397,878
Unamortized Bond Insurance Premium	44,767
Non-Depreciable Capital Assets	1,319,199
Depreciable Capital Assets, Net	16,130,011
Total Noncurrent Assets	19,450,560
Total Assets	26,117,311
Deferred Outflows of Resources	
Deferred Charge on Refunding	40,903
Pension	379,143
Total Deferred Outflows of Resources	420,046
Liabilities	
Current:	
Accounts Payable	47,628
Contracts Payable	24,462
Accrued Wages and Benefits Payable	15,585
Intergovernmental Payable	19,038
Accrued Interest Payable	5,063
Unearned Revenue	142,922
Compensated Absences Payable	53,660
Current Portion of Revenue Bonds Payable	195,000
Total Current Liabilities	503,358
Long-Term (Net of Current Portion):	
Compensated Absences Payable	49,122
Net Pension Liability Payable	1,000,476
OWDA Loans Payable	1,156,349
Revenue Bonds Payable	2,877,449
Total Long-Term Liabilities	5,083,396
Total Liabilities	5,586,754
Deferred Inflows of Resources	
Pension	39,623
Net Position	
Net Investment in Capital Assets	14,437,969
Restricted for Debt Service	275,924
Restricted for Capital Improvements	277,487
Unrestricted	5,919,600
Total Net Position	$20,910,980

See accompanying notes to the basic financial statements

Eastern Ohio Regional Wastewater Authority

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2016

Operating Revenues	
Charges for Services	$4,245,154
Other	20,061
Total Operating Revenues	4,265,215
Operating Expenses	
Personal Services	838,584
Fringe Benefits	463,461
Contractual Services	754,229
Materials and Supplies	541,886
Depreciation	472,342
Total Operating Expenses	3,070,502
Operating Income	1,194,713
Non-Operating Revenues (Expenses)	
Interest	8,343
Loss on Disposal of Fixed Assets	(15,777)
Interest and Fiscal Charges	(125,242)
Total Non-Operating Revenues (Expenses)	(132,676)
Change in Net Position	1,062,037
Net Position Beginning of Year	19,848,943
Net Position End of Year	$20,910,980

See accompanying notes to the basic financial statements

Eastern Ohio Regional Wastewater Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$3,953,309
Other Cash Receipts	20,061
Cash Payments for Employee Services and Benefits	(1,256,044)
Cash Payments for Goods and Services	(1,366,864)
Net Cash Provided by Operating Activities	1,350,462
Cash Flows from Capital and Related Financing Activities	
Proceeds from OWDA Loans	1,156,349
Payments for Capital Acquisitions	(1,655,321)
Principal Paid on Refunding Bonds	(190,000)
Interest Paid on Revenue Bonds	(118,518)
Net Cash Used by Capital and Related Financing Activities	(807,490)
Cash Flows from Investing Activities	
Interest	8,343
Net Increase in Cash and Cash Equivalents	551,315
Cash and Cash Equivalents Beginning of Year	6,073,793
Cash and Cash Equivalents End of Year	$6,625,108
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$1,194,713
Adjustments:	
Depreciation	472,342
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(323,949)
Increase in Prepaid Items	(5,251)
Increase in Deferred Ouflows - Pension	(255,170)
Increase in Unearned Revenue	32,104
Increase in Accounts Payable	9,106
Increase in Accrued Wages and Benefits Payable	3,135
Decrease in Contracts Payable	(73,256)
Decrease in Intergovernmental Payable	(6,451)
Increase in Deferred Inflows - Pension	26,844
Increase in Net Pension Liability	273,070
Increase in Compensated Absences Payable	3,225
Net Cash Provided by Operating Activities	$1,350,462

See accompanying notes to the basic financial statements

Note 1 - Description of the Entity

The Belmont County Sewer Authority No. One, which currently operates as the Eastern Ohio Regional Wastewater Authority, Belmont County (the "Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority was formed on June 4, 1958 by journal entry in the Court of Common Pleas, Belmont County, Ohio. The Authority is directed by a 4-member Board of Directors comprised of one representative each from the City of Bellaire, the City of Martins Ferry, the Village of Brookside, and the Village of Bridgeport. The Authority provides sewer services to residents of the participating members and its operations are defined by Section 6119.01 of the Ohio Revised Code. The Authority has no component units.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14 and GASB No. 61, the accompanying financial statements include all funds and activities over which the Authority is financially accountable.

The Authority is associated with the Ohio Rural Water Association Worker's Compensation Group Rating Plan that is an insurance purchasing pool. This organization is presented in Note 9 to the financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Authority uses fund accounting to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority combines the various funds into a single enterprise fund for financial statement reporting purposes.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of management is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus

All enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Authority's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Cash and Investments

Cash balances of the Authority's enterprise fund, except cash held by a trustee or fiscal agent, are invested in cash and short-term investments in order to provide improved cash management. During 2016, investments were limited to sweep accounts and money market mutual funds, which are reported at cost.

For purposes of the statement of cash flows and for presentation on the Statement of Net Position, investments with original maturities of three months of less are considered cash equivalents.

Restricted Assets

Certain resources are restricted on the Statement of Net Position for repayment of revenue bonds in accordance with applicable bond covenants, as well as amounts restricted for capital improvement.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the balance sheet date are recorded as prepaid items using the consumption method. A current asset for prepaid amounts is recorded at the time of payment, and an expense is reported at the time services are consumed.

Capital Assets

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included or capitalized. Property, plant and equipment of the Authority are recorded at their estimated fair values upon the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Authority was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The Authority maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest costs incurred during the construction of capital assets utilized by the enterprise funds are also capitalized. All infrastructure of the Authority has been reported, including infrastructure acquired or constructed prior to 1980. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Authority's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	10-40 years
Buildings and Improvements	20-100 years
Furniture and Fixtures	5-10 years
Vehicles	5-10 years
Infrastructure	20-100 years

Accounts Receivable

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. The uncollectible estimate is maintained by management at a level considered adequate to cover possible losses that are currently anticipated based on past experience, general economic conditions, information about specific account situation, and other factors and estimates which are subject to change over time.

Management considers all accounts receivable to be collectible in full and may periodically allocate portions of the uncollectible estimate for specific problem accounts, with the whole estimate available for any debts that occur. An account is charged off by management as a loss when deemed uncollectible, although most delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. The receivables that are certified are not expected to be collected within one year and will make up the noncurrent portion of the accounts receivable.

Compensated Absences

Government Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, specifies the methods used to accrue liabilities for leave benefits. Vacation and benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probably that the employer will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probably they will become eligible to receive termination benefits in the future.

The Authority records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Authority records a liability for accumulated unused sick leave for all employees which meet established eligibility requirements. Upon termination, any unused sick leave will be paid to the employee or his/her estate at the rate of twenty dollars ($20.00) per day up to a maximum of three hundred days.

Long-Term Obligations

The Authority records fund obligations not expected to be financed within one year by available financial resources as long-term debt, which consisted of revenue bonds, OWDA loans, and net pension liability.

Unamortized Bond Insurance Premiums, Bond Discounts, Bond Premiums, and Bond Issuance Costs

On the fund financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Bond issuance costs are expensed in in the funds in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include deferred charges and pension. On the fund financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the straight-line method, which approximates the effective interest method. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 6)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating revenues consist of user charges for sewer services based on water consumption and flat rates for residential properties. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. All revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

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

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for debt service is for the amount required by the bond covenant to be retained for debt service payments. Net position restricted for capital improvements are net position required by the bond covenant to be used for construction of new capital improvements, and net position maintained by the Authority for capital improvements.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Note 3 – Change in Accounting Principle and Restatement of Net Position

For 2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Authority's 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

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

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The Authority incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Authority's 2016 financial statements; however, there was no effect on beginning net position.

Note 4 – Deposits and Investments

State statutes require the classification of monies held by the Authority into three categories.

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

Inactive deposits are public deposits the Board of Directors has identified as not required for use within the current two-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 are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;

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

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

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

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days. 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 of short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. These securities must be obligation of or guaranteed by the United States and mature or be redeemable within 5 year of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Authority's deposits was $6,343,890 and the bank balance was $6,664,593. Of the bank balance $500,000 was covered by Federal depository insurance and the remaining balance of $6,164,593 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments

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

Investment Type	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Money Market Mutual Fund	$281,218	Avg 51 days	100.00%	AAAm	S&P

Interest Rate Risk State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by 2 percent and be marked to market daily. The Authority had no investment policy that would further limit investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial credit risk beyond the requirements in State statute that requires securities shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Concentration of Credit Risk The Authority places no limit on the amount it may invest in any one issuer.

Note 5 – Receivables

Receivables at year end consisted of accounts (which include billed and unbilled charged services). Accounts receivable as of December 31, 2016, are as follows:

	Amounts at 12/31/2016
Current Portion of Receivable	$580,170
Noncurrent Portion of Receivable	1,397,878
Net Receivables	$1,978,048

Note 6 – Defined Benefit Pension Plan

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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, including requirements for reduced and unreduced benefits):

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $85,066 for 2016. Of this amount, $15,336 is reported as an intergovernmental payable.

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

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

	OPERS
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00577600%
Prior Measurement Date	0.00603100%
Change in Proportionate Share	-0.00025500%
Proportionate Share of the Net Pension Liability	$1,000,476
Pension Expense	$129,810

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

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$294,077
Authority contributions subsequent to the measurement date	85,066
Total Deferred Outflows of Resources	$379,143
Deferred Inflows of Resources	
Differences between expected and actual experience	$19,331
Changes in proportion and differences between Authority contributions and proportionate share of contributions	20,292
Total Deferred Inflows of Resources	$39,623

$85,066 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2017	$54,955
2018	59,657
2019	73,294
2020	66,548
Total	$254,454

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, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	$1,594,003	$1,000,476	$499,855

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Authority's net pension liability is expected to be significant.

Note 7 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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 45. 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to the Ohio Public Employees Retirement System, 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. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Authority's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was $14,178, $14,193, and $15,828, respectively. For 2015, 81.97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2016.

Note 8 – Risk Management

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

During 2106 the Authority obtained commercial insurance through Acord Insurance Company for property and general liability coverage, and the Cincinnati Insurance Company for automobile coverage for the following risks:

Coverage	Limit
Property	$28,261,422
Automobile	1,000,000
General Liability	3,000,000

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

Note 9 – Insurance Purchasing Pool

The Authority participates in the Ohio Rural Water Workers' Compensation Group Rating Plan (GRP), a group rating plan and insurance purchasing pool. The Ohio Rural Water Association, as the sponsoring organization, has retained the services of Comp Management, as its Group Administrator to perform claims administration, actuarial cost control, and consulting services for participants. The participants continue to pay their own premiums. Each year the Authority pays an enrollment fee to the GRP to cover the costs of administering the program.

Note 10 – Employee Benefits

Insurance Benefits

The Authority contracts with the Aetna for hospitalization and prescription insurance for all employees. Monthly premiums for single and family coverage are determined by each individual being insured meeting certain rate criteria. The Authority pays 86.77 percent of the premium.

Life insurance, accidental death and dismemberment insurance are provided to employees. Dental care coverage is provided by Delta Dental and eye care coverage is provided by Vision Service Plan. All premiums are paid 100 percent by the Authority.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
Capital Assets not being Depreciated:				
Land	$162,850	$0	$0	$162,850
Construction in Progress	1,754,974	1,156,349	1,754,974	1,156,349
Total Capital Assets not being Depreciated	1,917,824	1,156,349	1,754,974	1,319,199
Capital Assets being Depreciated:				
Sewer Lines	2,685,339	538,722	0	3,224,061
Pumping and Ejector Stations	5,521,225	1,440,730	15,000	6,946,955
Treatment Plant	15,438,861	274,494	42,913	15,670,442
Office Equipment	91,623	0	0	91,623
Total Capital Assets being Depreciated	23,737,048	2,253,946	57,913	25,933,081
Less Accumulated Depreciation:				
Sewer Lines	950,460	27,621	0	978,081
Pumping and Ejector Stations	2,602,186	90,272	15,000	2,677,458
Treatment Plant	5,792,930	348,941	27,136	6,114,735
Office Equipment	27,288	5,508	0	32,796
Total Accumulated Depreciation	9,372,864	472,342	42,136	9,803,070
Total Capital Assets being Depreciated, Net	14,364,184	1,781,604	15,777	16,130,011
Governmental Activities Capital Assets, Net	$16,282,008	$2,937,953	$1,770,751	$17,449,210

Note 12 – Long-Term Obligations

Long term debt activity for the year ended December 31, 2016 is as follows:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Amounts Due in One Year
Water Resource Revenue Refunding and Additional Construction Bonds					
Series 2013 - 2.0% - 5.0%	$3,270,000	$0	$190,000	$3,080,000	$195,000
"Net" Premium/Discount ($8,987)	(7,910)	0	(359)	(7,551)	0
Total Revenue Bonds	3,262,090	0	189,641	3,072,449	195,000
OWDA Loan - 2016 1.7%	0	1,156,349	0	1,156,349	0
Compensated Absences	99,557	16,355	13,130	102,782	53,660
Net Pension Liability - OPERS	727,406	273,070	0	1,000,476	0
Total Long Term Obligations	$4,089,053	$1,445,774	$202,771	$5,332,056	$248,660

On October 1, 2013 the Eastern Ohio Regional Wastewater Authority issued $3,810,000 in Water Resource Revenue Refunding and Additional Construction Bonds for the purpose of retiring the Series 2001 Water Resource Revenue Bonds and to fund future construction projects The refunding bonds were issued with a "net" premium/discount of ($8,987) which is reported as a decrease to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method which approximates the effective interest method. The bonds are payable solely from water customer net revenues and are payable through 2037. The bonds were issued for a 25 year period with final maturity at December 1, 2037, and are subject to mandatory sinking fund redemption. This is to occur on December 1, 2028 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

The Series 2013 Bonds maturing on December 1, 2028 will be subject to mandatory sinking fund redemptions in part on December 1, 2026, and on each December 1 thereafter at the redemption price of 100 percent of the principal amount thereof plus accrued interest to the respective redemption dates in the principal amount and the years as follows:

December 1	Principal Amount to be Redeemed
2026	$75,000
2027	80,000

Unless otherwise called for redemption, the remaining $80,000 principal amount of such Bonds will be payable at stated maturity (December 1, 2028).

The Series 2013 Bonds maturing on December 1, 2033 will be subject to mandatory sinking fund redemptions in part on each December 1, 2029, and each December 1 thereafter at the redemption price of 100 percent of the principal amount thereof plus accrued interest to the respective redemption dates in the principal amount and the years as follows:

December 1	Principal Amount to be Redeemed
2029	$85,000
2030	90,000
2031	95,000
2032	95,000

Unless otherwise called for redemption, the remaining $100,000 principal amount of such Bonds will be payable at stated maturity (December 31, 2033).

The Series 2013 Bonds maturing on December 1, 2037 will be subject to mandatory sinking fund redemptions in part on each December 1, 2034, and each December 1 thereafter at the redemption price of 100 percent of the principal amount thereof plus accrued interest to the respective redemption dates in the principal amount and the years as follows:

December 1	Principal Amount to be Redeemed
2034	$105,000
2035	110,000
2036	115,000

Unless otherwise called for redemption, the remaining $125,000 principal amount of such Bonds will be payable at stated maturity (December 31, 2037).

Amortization of the above debt, including interest, is scheduled as follows:

	Water Resource Revenue Bonds	
	Principal	Interest
2017	$195,000	$114,750
2018	195,000	110,850
2019	200,000	105,975
2020	205,000	100,975
2021	210,000	94,825
2022-2026	995,000	362,452
2027-2031	430,000	222,339
2032-2036	525,000	111,763
2037	125,000	6,250
Total	$3,080,000	$1,230,179

The water resource revenue bonds will be paid from revenues derived from user charges. In addition, the water revenue bonds have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for fees to customers be maintained in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemptions of principal, and maintenance of properties in good condition.

The Authority has pledged future customer sewer revenues, net of specified operating expenses, to repay $3,810,000 in revenue bonds issued in 2013 The bonds are payable solely from customer net revenues and are payable through 2037. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds and loan are expected to require 19 percent of net revenues. The total principal and interest remaining to be paid on the bonds and loan is $4,310,179. Principal and interest payments for the current year were $309,750, net available revenues were $1,635056 and total revenues were $4,273,566.

The Authority's 2013 refunding bonds are insured by Assured Guaranty Municipal Corp. Assured Guaranty Municipal Corp. has a rating of A2 from Moody's Investors Service, Inc.

An Ohio Water Development Authority (OWDA) loan was obtained in 2016 for upgrades to the Indian Run, 49th Street, and North Guernsey Force Mains. The loan was approved for $2,734,658. As of December 31, 2016, $1,156,349 has been drawn down on this loan. The loan and project are not complete, and an amortization schedule is not available.

Note 13 – Contingent Liabilities

Pending Litigation

The Authority is currently party to legal proceedings. The possible outcome or effects on the financial statements cannot be determined at year end.

Note 14 – Contractual Obligations

As of December 31, 2016, the Authority had contractual purchase commitments for construction services relating to the upgrade of treatment facilities. The contract amount for these services is as follows:

Contractor	Purchase Commitments	Amount Paid as of 12/31/2016	Amount Remaining on Contract
X-Press Underground Inc	$1,156,186	$1,011,456	$144,730
Alex E. Paris Contracting Co Inc	1,098,667	0	1,098,667
Construction Management	115,000	33,925	81,075
Total	$2,468,853	$1,144,381	$1,324,472

Note 15 – Subsequent Events

Rate Increase

Effective January 1, 2017, the rate increased to $28.25 per month for residential customers.

Eastern Ohio Regional Wastewater Authority

Required Supplementary Information

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

Ohio Public Employees Retirement System - Traditional Plan

Last Three Years (1)

	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.5776000%	0.0060310%	0.0060310%
Authority's Proportionate Share of the Net Pension Liability	$1,000,476	$727,406	$710,976
Authority's Covered Payroll	$708,883	$739,400	$788,026
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	141.13%	98.38%	90.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

Eastern Ohio Regional Wastewater Authority

Required Supplementary Information

Schedule of Authority Contributions

Ohio Public Employees Retirement System - Traditional Plan

Last Four Years (1)

	2016	2015	2014	2013
Contractually Required Contribution	$85,066	$85,161	$88,728	$102,443
Contributions in Relation to the Contractually Required Contribution	(85,066)	(85,161)	(88,728)	(102,443)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Authority Covered Payroll	$708,883	$709,675	$739,400	$788,026
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

This page intentionally left blank.

313 Second Street
Marietta, OH 45750
740.373.0056

1907 Grand Central Avenue
Vienna, WV 26105
304.422.2203

104 South Sugar Street
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

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

July 26, 2017

Eastern Ohio Regional Wastewater Authority
Belmont County
P.O. Box 508
Bridgeport, Ohio 43912

To the Board of Directors:

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 **Eastern Ohio Regional Wastewater Authority,** Belmont County, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated July 26, 2017.

Internal Control Over Financial Reporting

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

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

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

..."bringing more to the table"
Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated July 26, 2017.

Purpose of this Report

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

Perry & Associates CPA's A.C.

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

Dave Yost · Auditor of State

EASTERN OHIO REGIONAL WASTEWATER AUTHORITY

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 17, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov