

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Basic Financial Statements

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For the Years Ended December 31, 2015 and 2014



**Balestra, Harr & Scherer Consulting**

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Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
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## Balestra, Harr & Scherer Consulting

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May 6, 2016

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

### ACCOUNTANT'S COMPILATION REPORT

We have compiled the accompanying financial statements of Southwest Licking Community Water and Sewer District, Licking County, Ohio, as of and for the years ended December 31, 2015 and 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management's Discussion and Analysis on pages 3 through 8 and the Required Supplementary Information on pages 37 and 38 are not a required part of the basic financial statements but are required supplementary information accounting principles generally accepted in the United States of America requires. The Supplementary Information on pages 40 through 44 are not a required part of the basic financial statements, but are presented to provide additional information to readers of the basic financial statements. We have compiled the required supplementary information and the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the required supplementary information or the supplementary information.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, Consulting  
Piketon, Ohio

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Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Management's Discussion and Analysis  
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(Unaudited)

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

### **FINANCIAL HIGHLIGHTS**

The total assets and deferred outflows of resources of SWLCWSD exceeded liabilities and deferred outflows of resources on December 31, 2015 by \$12.8 million and on December 31, 2014 by \$10.9 million. The District's net position increased by \$2.7 million (26.4%) in 2015 and increased by \$2.9 million (36.5%) in 2014.

The District's operating revenues increased by \$177 thousand (2.5%) in 2015 and increased by \$73 thousand (1.03%) in 2014. Operating expenses (excluding depreciation and amortization expenses) increased \$208 thousand (8.0%) in 2015 and increased \$225 thousand (9.4%) in 2014. Depreciation and amortization expense increased by \$37 thousand (1.5%) in 2015 and decreased by \$1.35 million (-34.5%) in 2014. The District's non-operating revenues increased by \$287 thousand (10.3%) in 2015 and increased by \$171 thousand (6.6%) in 2014. The District's non-operating expenses decreased by \$111 thousand (-4.6%) in 2015 and decreased by \$323 thousand (-11.7%) in 2014.

The District issued \$456,374 of additional long term debt in 2015 and \$911,926 of additional long term debt in 2014.

### **OVERVIEW OF BASIC FINANCIAL STATEMENTS**

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

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

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

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

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**STATEMENTS OF NET POSITION**

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

**Table 1**

	<b>2015</b>	<b>2014</b>	<b>Change Amount</b>	<b>2013</b>	<b>Change Amount</b>
Current and Other Assets	\$ 19,994,723	\$ 19,388,372	\$ 606,351	\$ 18,780,950	\$ 607,422
Restricted Assets	45,896	45,892	4	45,887	5
Capital Assets, Net	39,186,149	40,724,497	(1,538,348)	42,478,440	(1,753,943)
<b>Total Assets</b>	<b>59,226,768</b>	<b>60,158,761</b>	<b>(931,993)</b>	<b>61,305,277</b>	<b>(1,146,516)</b>
<b>Deferred Outflows of Resources</b>					
Pensions	161,905	-	161,905	-	0
<b>Total Deferred Outflows of Resources</b>	<b>161,905</b>	<b>-</b>	<b>161,905</b>	<b>-</b>	<b>-</b>
Long Term Liabilities	34,739,375	37,729,456	(2,990,081)	41,643,341	(3,913,885)
Current and Other Liabilities	5,213,145	5,050,349	162,796	5,122,349	(72,000)
<b>Total Liabilities</b>	<b>39,952,520</b>	<b>42,779,805</b>	<b>(2,827,285)</b>	<b>46,765,690</b>	<b>(3,985,885)</b>
<b>Deferred Inflows of Resources</b>					
Unearned Special Assessments	6,625,759	6,486,593	139,166	6,560,736	(74,143)
Pensions	15,807	-	15,807	-	-
<b>Total Deferred Inflows of Resources</b>	<b>6,641,566</b>	<b>6,486,593</b>	<b>154,973</b>	<b>6,560,736</b>	<b>(74,143)</b>
<b>Net Position</b>					
Net Investment in Capital Assets	520,930	(1,584,413)	2,105,343	(3,966,672)	2,382,259
Unrestricted	12,273,657	12,476,776	(203,119)	11,945,523	531,253
<b>Total Net Position</b>	<b>\$ 12,794,587</b>	<b>\$ 10,892,363</b>	<b>\$ 1,902,224</b>	<b>\$ 7,978,851</b>	<b>\$ 2,913,512</b>

\* - The difference between total net position between 2015 and 2014 does not agree to the Table 2 change in net position since the 2014 balance above was not restated for GASB 68 and GASB 71.

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

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

Under the new standards required by GASB 68, the net pension liability equals the District'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

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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 District 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 District'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. As a result of implementing GASB 68 and GASB 71, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation had the effect of restating net position at January 1, 2015, from \$10,892,363 to \$10,122,674. It is important to note that the comparative statements in the accompanying financial statements for 2014 have not been restated for the effects of implementing GASB 68 and GASB 71.

The District's net position (excluding the restatement of beginning net position for GASB 68 and GASB 71 implementation) increased by \$1.9 million (17.5%) in 2015 and increased by \$2.9 million (36.5%) in 2014.

The increase in 2015 is primarily due to the decrease in total liabilities of approximately \$2.8 million which was partially offset by a decrease in total assets of approximately \$.9 million. The decrease in total assets is mainly due to decreases in net capital assets and assessment receivables and was partially offset by an increase in cash. Cash increased due to cash receipts exceeding cash disbursements primarily due to increased tap fee revenues and special assessment collections in 2015. Net capital assets decreased primarily due to current year depreciation which was partially offset by capital asset additions. Assessment receivables decreased due to assessment payments received. The decrease in total liabilities is primarily due to the decrease in notes payable which was partially offset by the increase in net pension liabilities due to the implementation of GASB Statements No. 68 and 71.

The increase in 2014 is primarily due to the decrease in total liabilities of approximately \$4.0 million which was partially offset by a decrease in total assets of approximately \$1.1 million. The decrease in total assets is mainly due to decreases in net capital assets and assessment receivables and was partially offset by an increase in cash. Cash increased due to cash receipts exceeding cash disbursements primarily due to increased intergovernmental revenue in 2014. Net capital assets decreased primarily due to current year depreciation which was partially offset by capital asset additions. Assessment receivables decreased due to assessment payments received. The decrease in total liabilities is primarily due to the decrease in notes payable and a decrease in contracts and retainage payable due to the completion of the Annette and Summit Pumping Station construction project.

Unrestricted net assets (excluding the restatement of beginning net position for GASB 68 and GASB 71 implementation) increased by \$2.1 million (132.9%) in 2015 and increased by \$531 thousand (4.5%) in 2014. Unrestricted net assets may be used without constraints established by legal requirements. Cash and cash equivalents increased \$1.4 million (23.8%) in 2015 and increased \$1.5 million (36.1%) in 2014.

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$127,419 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$98,236.

Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	\$5,417,801
Pension expense under GASB 68	(98,236)
2015 contractually required contribution	113,897
Adjusted 2015 operating expenses	5,433,462
Total 2014 operating expenses under GASB 27	5,172,144
Increase in operating expenses not related to pension	\$261,318

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

**Table 2**

	2015	2014	Change	2013	Change
Operating Revenues	\$ 7,326,270	\$ 7,149,562	\$ 176,708	\$ 7,076,602	\$ 72,960
Operating Expenses (Excluding Depreciation & Amortization)	2,818,648	2,610,203	208,445	2,385,247	224,956
Depreciation & Amortization	2,599,153	2,561,941	37,212	3,910,118	(1,348,177)
<b>Total Operating Expenses</b>	<b>5,417,801</b>	<b>5,172,144</b>	<b>245,657</b>	<b>6,295,365</b>	<b>(1,123,221)</b>
Operating Gain/(Loss)	1,908,469	1,977,418	(68,949)	781,237	1,196,181
Non-Operating Revenues	3,075,524	2,781,851	293,673	2,610,792	171,059
Non-Operating Expenses	2,333,907	2,445,188	(111,281)	2,768,277	(323,089)
Capital Contributions	21,827	599,431	(577,604)	161,018	438,413
<b>Changes in Net Position</b>	<b>2,671,913</b>	<b>2,913,512</b>	<b>(241,599)</b>	<b>784,770</b>	<b>2,128,742</b>
<b>Net Position at Beginning of Year</b>	<b>10,122,674</b> *	<b>7,978,851</b>	<b>2,143,823</b>	<b>7,194,081</b>	<b>784,770</b>
<b>Net Position at End of Year</b>	<b>\$ 12,794,587</b>	<b>\$ 10,892,363</b>	<b>\$ 1,902,224</b>	<b>\$ 7,978,851</b>	<b>\$ 2,913,512</b>

\* - As restated, see Note R. The difference between the 2015 and 2014 net position doesn't agree to the change in net position for 2015 due to the District not restating the 2014 financial statements for GASB 68 and GASB 71.

Operating revenues increased \$177 thousand (2.5%) in 2015. This increase was related to an increase in service revenues received by the customers. Non-operating revenues increased \$294 thousand (10.6%) in 2015. This increase is primarily due to an increase in tap fee income which was partially offset by a decrease in capacity fee revenue and interest income. Tap fees increased as additional tap fees due to construction were remitted to the District. The decrease in capacity fee revenue is the result of less connections to the water and sewer lines since 2014 had connections by two housing subdivisions. The decrease in interest income is due to the decrease in special assessments balances which results in less interest income during the fiscal year. There were capital contributions of \$21,827 in 2015 (a decrease from \$599,431 in 2014). The decrease was due to 2014 donated lines from developers which did not occur in 2015, the receipt of less deferred special assessment revenue in 2015, and no principal forgiveness received from the Ohio Water Development Authority (OWDA) toward the balance of an outstanding loan like there was in 2014. Capital contributions will fluctuate from year to year depending on developer construction activity and deferred agricultural special assessments being collected from property converted from agricultural use.



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Operating revenues increased \$73 thousand (1.0%) in 2014. This increase was related to an increase in service revenues received by the customers due to the completion and addition of sewer and water lines. Non-operating revenues increased \$171 thousand (6.6%) in 2014. This increase is primarily due to an increase in capacity fee revenue and interest income. The increase in capacity fee revenue is the result of additional connections to the water and sewer lines by two housing subdivisions. The increase in interest income is due to the increased receipt of special assessments revenue during the fiscal year. There were capital contributions of \$599,431 in 2014 (an increase from \$161,018 in 2013). The increase was due to donated lines from developers, the receipt of deferred special assessment revenue in 2014, and principal forgiveness received from the Ohio Water Development Authority (OWDA) toward the balance of an outstanding loan. Capital contributions will fluctuate from year to year depending on developer construction activity and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating expenses, excluding depreciation and amortization, increased \$208 thousand (8.0%) in 2015. This increase was primarily due to an increase in legal fees and repairs and maintenance. Depreciation and amortization expense increased \$37 thousand from 2014 primarily due to a full year of depreciation for some assets placed into service.

Operating expenses, excluding depreciation and amortization, increased \$225 thousand (17.2%) in 2014. This increase was primarily due to an increase in salaries, repairs and maintenance, health insurance, and utilities. The increases were partially offset by decreases in training, operations and testing, legal, and telephone. Salary expenses increased due to an increase in hours worked by employees and an increase in personnel. Health insurance increased as a result of increased premiums. Depreciation and amortization expense decreased \$1,348,177 from 2013 primarily due to the District revising remaining useful lives for water and sewer lines to more accurately measure the useful lives of these capital assets.

**CAPITAL ASSETS**

The District had \$104.0 million invested in capital assets (before accumulated depreciation of \$64.8 million) at the end of 2015. This amount is a decrease of \$1.538 million (3.8%) from the previous year. Additional information regarding capital assets can be found in Note F to the basic financial statements.

**Table 3**

	<b>2015</b>	<b>2014</b>	<b>Change Amount</b>	<b>2013</b>	<b>Change Amount</b>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 914,738	\$ 914,738	\$ -	\$ 914,738	\$ -
Land Easements	342,429	342,429	-	342,429	-
Construction in Progress	3,500	3,500	-	929,056	(925,556)
Total Capital Assets Not Being Depreciated	<u>1,260,667</u>	<u>1,260,667</u>	-	2,186,223	(925,556)
<b>Capital Assets Being Depreciated (Net of Accumulated Depreciation):</b>					
Land Improvements	10,662	12,692	(2,030)	14,722	(2,030)
Facilities, Lines & Related Infrastructure	35,176,546	36,636,737	(1,460,191)	37,685,349	(1,048,612)
Donated Developer Lines	2,328,853	2,427,292	(98,439)	2,322,402	104,890
Vehicles	129,280	85,678	43,602	29,979	55,699
Office Furniture and Equipment	49,894	54,340	(4,446)	30,256	24,084
General Equipment	228,378	244,350	(15,972)	205,896	38,454
Safety Equipment	1,869	2,741	(872)	3,613	(872)
Total Capital Assets Being Depreciated (Net)	<u>37,925,482</u>	<u>39,463,830</u>	<u>(1,538,348)</u>	<u>40,292,217</u>	<u>(828,387)</u>
<b>Net Capital Assets</b>	<b><u>\$ 39,186,149</u></b>	<b><u>\$ 40,724,497</u></b>	<b><u>\$ (1,538,348)</u></b>	<b><u>\$ 42,478,440</u></b>	<b><u>\$ (1,753,943)</u></b>

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**DEBT**

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

**Table 4**

	<b>2015</b>	<b>2014</b>	<b>Change Amount</b>	<b>2013</b>	<b>Change Amount</b>
OWDA Loans	\$ 35,598,840	\$ 39,395,884	\$ (3,797,044)	\$ 43,676,553	\$ (4,280,669)
OPWC Loans	2,475,603	2,340,250	135,353	1,586,363	753,887
Rotary Commission Loans	346,941	346,941	-	346,941	-
Highland Hills Recoupment Agreement	225,835	225,835	-	225,835	-
<b>Total Long Term Debt</b>	<b>38,647,219</b>	<b>42,308,910</b>	<b>(3,661,691)</b>	<b>45,835,692</b>	<b>(3,526,782)</b>
Less: Current Maturities	4,862,709	4,700,303	162,406	4,327,921	372,382
<b>Net Total Long Term Debt</b>	<b>\$ 33,784,510</b>	<b>\$ 37,608,607</b>	<b>\$ (3,824,097)</b>	<b>\$ 41,507,771</b>	<b>\$ (3,899,164)</b>

**CASH**

Cash and cash equivalents on December 31, 2015 and 2014 were \$7.1 million and \$5.7 million, respectively. \$46 thousand of these funds in 2015 and \$46 thousand of these funds in 2014 were restricted for specific use. These accounts are for escrowed contractor bonds.

**CONTACT INFORMATION**

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

Southwest Licking Community Water and Sewer District  
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Statements of Net Position  
As of December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 7,055,717	\$ 5,691,124
Petty cash	531	531
Intergovernmental Receivable	55,799	48,518
Accounts receivable - operating billings less allowance for doubtful accounts (\$150,000 in 2015 and \$150,000 in 2014)	836,128	797,887
Prepaid insurance	43,513	43,569
Meter inventory	40,299	36,956
Total current assets	8,031,987	6,618,585
<b>Noncurrent assets:</b>		
Restricted Assets:		
Cash in savings-contractor bonds	45,896	45,892
Total restricted assets	45,896	45,892
<b>Capital Assets:</b>		
Non-Depreciable Capital Assets	1,260,667	1,260,667
Depreciable Capital Assets	37,925,482	39,463,830
Total Capital Assets, Net	39,186,149	40,724,497
<b>Other Assets:</b>		
Jefferson water tap rights, net of \$175,000 and \$167,451 accumulated amortization for 2015 and 2014, respectively	-	7,694
Assessment receivables-water	6,570,124	6,864,835
Assessment receivables-sewer	5,392,612	5,897,258
Total other assets	11,962,736	12,769,787
Total Assets	\$ 59,226,768	\$ 60,158,761
<b>Deferred Outflows of Resources</b>		
Pensions	161,905	-
Total Deferred Outflows of Resources	\$ 161,905	\$ -

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Statements of Net Position - Continued  
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<b>LIABILITIES</b>	<b>2015</b>	<b>2014</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 76,304	\$ 165,979
Contracts payable	18,000	-
Deposits payable to developers	59,024	31,033
Contractor bonds payable	50,300	50,800
Accrued employee wages	14,430	43,535
Accrued interest payable	2,846	3,666
Note payable - current portion	4,862,709	4,700,303
Payroll taxes accrued and withheld	41,607	37,473
Compensated absences - current portion	22,300	17,560
Total current liabilities	<u>5,147,520</u>	<u>5,050,349</u>
<b>Long Term Liabilities:</b>		
Compensated absences	120,731	120,849
Net pension liability	899,759	-
Notes and recoupment agreements payable	33,784,510	37,608,607
Total long term liabilities	<u>34,805,000</u>	<u>37,729,456</u>
<b>Total Liabilities</b>	<u>39,952,520</u>	<u>42,779,805</u>
<b>Deferred Inflows of Resources:</b>		
Pension	15,807	-
Unearned special assessments	6,625,759	6,486,593
Total Deferred Inflows of Resources	<u>6,641,566</u>	<u>6,486,593</u>
<b>Net Position:</b>		
Net investment in capital assets	520,930	(1,584,413)
Unrestricted	12,273,657	12,476,776
Total net position	<u>\$ 12,794,587</u>	<u>\$ 10,892,363</u>

See Accountant's Compilation Report.

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

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 7,041,787	\$ 6,892,639
Late charges	284,483	256,923
Total operating revenues	<u>7,326,270</u>	<u>7,149,562</u>
<b>OPERATING EXPENSES</b>		
Salaries	961,166	952,101
Training	2,261	3,767
Medicare tax expense	13,387	12,909
P.E.R.S. expense	116,858	121,260
Workers compensation	10,153	12,212
Operations and testing	29,162	26,572
Chemicals and operating supplies	257,855	218,330
Biosolids processing	56,528	52,578
Refuse	3,596	3,699
Equipment rental	8,005	4,171
Repairs and maintenance	444,768	369,935
Engineering	13,082	560
Legal	128,973	26,545
Accounting	-	14,000
Board designated expenses	-	182
Audit fees	-	12,785
Advertising and communications	804	520
Insurance:		
General	47,395	45,357
Health	189,328	188,737
Life	1,627	1,666
Telephone	18,103	18,439
Utilities	404,167	405,484
Office supplies	22,043	22,982
Cleaning	-	-
Postage	40,599	40,109
Security	444	443
Uniform rental	2,716	3,190
Small tools	332	2,755
Vehicle expense	6,990	7,047
Collection and bank fees	46	71
Dues and subscriptions	1,712	5,165
Licenses	36,430	36,535
General manager discretionary	118	97
Depreciation	2,591,459	2,553,874
Amortization	7,694	8,067
Total operating expenses	<u>5,417,801</u>	<u>5,172,144</u>
Operating income	<u>1,908,469</u>	<u>1,977,418</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Debt service fee income	1,027,420	1,003,136
Inspection revenue	2,915	10,893
Tap fee income	1,458,425	908,179
Capacity fee revenue	66,720	129,270
Interest income	465,176	644,025
Intergovernmental	6,512	51,210
Miscellaneous income	48,356	35,138
Interest expense	(2,333,907)	(2,445,188)
Total non-operating revenues (expenses)	<u>741,617</u>	<u>336,663</u>
Changes in net position before capital contributions	2,650,086	2,314,081
Capital contributions - special assessments	21,827	117,337
Capital contributions - intergovernmental	-	278,764
Capital contributions - developers	-	203,330
Changes in net position	<u>2,671,913</u>	<u>2,913,512</u>
Net position, beginning of year - As restated, See Note R	10,122,674	7,978,851
Net position, end of year	<u>\$ 12,794,587</u>	<u>\$ 10,892,363</u>

See Accountant's Compilation Report.

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

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Cash Flows  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 7,288,029	\$ 7,171,441
Cash payments to suppliers for goods and services	(1,619,091)	(1,209,725)
Cash payments for employee services and benefits	(1,312,868)	(1,277,808)
Net cash provided by operating activities	<u>4,356,070</u>	<u>4,683,908</u>
<b>Cash Flows from Investing Activities:</b>		
Interest income from savings	<u>6,790</u>	<u>5,386</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Payments for planning and construction, including capitalized interest	(936,410)	(1,054,941)
Assessment principal payments received	943,553	961,456
Intergovernmental revenue	-	328,743
Debt service fees collected	1,027,420	1,003,136
Increase (decrease) in contractor bonds payable	(500)	4,000
Increase in developer deposits	27,991	8,972
Purchase of equipment and furniture	(37,211)	(112,645)
Purchase of vehicle	(61,490)	(69,384)
Construction loan proceeds	456,374	911,926
Principal repayments on loans	(4,118,065)	(4,438,708)
Interest repayments on loans	(2,334,727)	(2,445,951)
Assessment interest income	458,386	638,639
Inspection, capacity, tap fee and miscellaneous income	<u>1,576,416</u>	<u>1,083,480</u>
Net cash used for capital and related financing activities	<u>(2,998,263)</u>	<u>(3,181,277)</u>
Net increase in cash and cash equivalents	1,364,597	1,508,017
Cash and cash equivalents at beginning of year	<u>5,737,547</u>	<u>4,229,530</u>
Cash and cash equivalents at end of year	<u>\$ 7,102,144</u>	<u>\$ 5,737,547</u>

(Continued on following page)

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Cash Flows - Continued  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 1,908,469	\$ 1,977,418
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation and amortization	2,599,153	2,561,941
<b>Changes in Assets and Liabilities:</b>		
(Increase) decrease in accounts receivable	(38,241)	21,879
(Increase) in prepaid insurance	56	(3,068)
(Increase) in meter inventory	(3,343)	(12,370)
Increase (Decrease) in accounts payable (operating)	(89,675)	127,031
Increase in compensated absences	4,622	1,324
Increase in accrued wages, benefits and payroll taxes	(24,971)	9,753
Total adjustments	<u>2,447,601</u>	<u>2,706,490</u>
Net cash provided by operating activities	<u>\$ 4,356,070</u>	<u>\$ 4,683,908</u>
<b>Non-cash transaction:</b>		
Acquisition of capital assets through developer donation	<u>\$ -</u>	<u>\$ 203,330</u>

See Accountant's Compilation  
Report.

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

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

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**NOTE A - NATURE OF ORGANIZATION**

Southwest Licking Community Water & Sewer District (hereafter referred to as SWLCWSD) was created, during late 1989, by the Court of Common Pleas of Licking County to provide water and sewer services to the residents of Licking County in accordance with the provisions of Section 6119.01 of the Revised Code. SWLCWSD is managed by a Board consisting of three (3) appointed trustees.

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

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

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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



**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. **Basis of Accounting**

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

3. **Budgetary Process**

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

4. **Revenue Recognition**

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

5. **Accounts Receivable**

Accounts receivable are shown at their net realizable value. The water shut-off policy, implemented in full force on January 1, 1995, specifies the details of collections for both water and sewer delinquent accounts. Note that uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted. SWLCWSD has recorded an allowance for doubtful accounts for fiscal years 2015 and 2014. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to revenues is recorded during the year that the accounts are determined to be potentially uncollectible.

6. **Restricted Assets**

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

7. **Capital Assets**

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

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

During fiscal year 2014, the District revised the remaining useful lives of all water and sewer lines based upon a 50 year useful life. There were a number of water and sewer lines that previously had an estimated useful life of 25 years. This resulted in a reduction of depreciation expense in 2014 as compared to prior years.

8. **Estimates**

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Amortization**

Jefferson water tap rights are being amortized over twenty-five years. The actual contract term is twenty-five years, with an additional renewal of twenty-five years, unless SWLCWSD specifically requests to decline the renewal. Amortization is computed using the straight-line method for financial statement reporting purposes. Jefferson tap rights amortization expense charged to operations for 2015 and 2014 was \$7,694 and \$8,067, respectively.

**10. Provision for Income Tax**

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

**11. 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.

**12. Cash and Cash Equivalents**

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposits are reported at cost. In 2015 and 2014, SWLCWSD's investment consisted of a repurchase agreement.

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

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

**14. Operating Revenues and Expenses**

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

**15. Net Position**

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The District did not have restricted net position for 2015 or 2014.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**16. 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 pensions. The deferred outflows of resources related to the pension are explained in Note I. The District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District these amounts consisted of special assessments which are recognized as a receivable; however, they are not recognized as revenue since these properties are in an agricultural deferred status and the revenue cannot be collected until the properties are converted to a non-agricultural use. The District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the District this was for pensions. (See Note I)

**17. Pensions**

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

**18. Comparative Financial Statements**

The District has presented comparative financial statements in the accompanying financial statements. Since the District implemented GASB 68 and GASB 71 for fiscal year 2015, the 2014 financial statements are presented for comparative purposes, but have not been restated for GASB 68 and GASB 71 since information was not available to restate fiscal year 2014.

**NOTE C - CASH IN SAVINGS**

A separate escrow savings account was established to maintain the contractor bonds' balance due on the construction of the water and sewer lines. The account is a non-interest bearing account; therefore, interest is not due to the contractor. The balance at December 31, 2015 and 2014 was \$45,896 and \$45,892, respectively and these amounts are not reflected in Note D.

**NOTE D - DEPOSITS AND INVESTMENTS**

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

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

Interim deposits are deposits of interim monies. Interim deposits shall 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, but not limited to, pass book accounts. 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.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2015 and 2014

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**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

Interim monies may be deposited or invested 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 other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers' acceptance for a period not to exceed one hundred and eighty days and in an amount not to exceed ten percent of the District's total average portfolio.

Protection of the SWLCWSD's deposits is provided by the Federal Deposit Insurance Corporation, 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 established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the SWLCWSD, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Southwest Licking Community Water and Sewer District  
 Licking County, Ohio  
 Notes to the Basic Financial Statements - Continued  
 For the Years Ended December 31, 2015 and 2014

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**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

Deposits

Custodial credit risk is the risk that in the event of the failure of the counterparty, SWLCWSD's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. SWLCWSD's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2015, SWLCWSD's bank balance of \$965,955 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2014, SWLCWSD's bank balance of \$967,383 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. At fiscal year-end 2015 and 2014, the carrying amount of the District's deposits was \$503,454 and \$850,589, exclusive of the repurchase agreement.

Investments

As of December 31, 2015 and December 31, 2014, SWLCWSD had the following investments and maturities:

	2015		2014	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$ 6,552,257	0	\$ 4,886,427	0
Total Fair Value	\$ 6,552,257		\$ 4,886,427	

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

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

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

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

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

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2015 and 2014

**NOTE E - INTEREST INCOME**

Interest income came from the following sources:

	<b>2015</b>	<b>2014</b>
Interest income from repurchase agreements and savings accounts	\$ 5,386	\$ 5,386
Interest income from assessments, accrued and collected	459,790	638,639
Total interest income	\$ 465,176	\$ 644,025

**NOTE F – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended December 31, 2015 was as follows:

	Ending Balance 12/31/14	Additions	Deletions	Ending Balance 12/31/15
Capital Assets, Not Being Depreciated				
Land	\$ 914,738	\$ -	\$ -	\$ 914,738
Land Easements	342,429	-	-	342,429
Construction in Progress	3,500	-	-	3,500
Total Capital Assets, Not Being Depreciated	1,260,667	-	-	1,260,667
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	95,374,907	954,410	-	96,329,317
Donated Developer Lines	4,922,014	-	-	4,922,014
Vehicles	256,828	61,490	(47,225)	271,093
Office Furniture and Equipment	287,997	6,930	-	294,927
General Equipment	812,441	30,281	-	842,722
Safety Equipment	30,387	-	-	30,387
Total Capital Assets, Being Depreciated	101,716,574	1,053,111	(47,225)	102,722,460
Less Accumulated Depreciation:				
Land Improvements	(19,308)	(2,030)	-	(21,338)
Facilities, Lines & Related Infrastructure	(58,738,170)	(2,414,600)	-	(61,152,770)
Donated Developer Lines	(2,494,722)	(98,440)	-	(2,593,162)
Vehicles	(171,150)	(17,889)	47,225	(141,814)
Office Furniture and Equipment	(233,657)	(11,375)	-	(245,032)
General Equipment	(568,091)	(46,253)	-	(614,344)
Safety Equipment	(27,646)	(872)	-	(28,518)
Total Accumulated Depreciation	(62,252,744)	(2,591,459)	47,225	(64,796,978)
Total Capital Assets Being Depreciated, Net	39,463,830	(1,538,348)	-	37,925,482
Total Capital Assets	\$ 40,724,497	\$ (1,538,348)	\$ -	\$ 39,186,149

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2015 and 2014

**NOTE F – CAPITAL ASSETS (Continued)**

Capital assets activity for the fiscal year ended December 31, 2014 was as follows:

	Ending Balance 12/31/13	Additions	Deletions	Ending Balance 12/31/14
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 914,738	\$ -	\$ -	\$ 914,738
Land Easements	342,429	-	-	342,429
Construction in Progress	929,056	303,025	(1,228,581)	3,500
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,186,223</b>	<b>303,025</b>	<b>(1,228,581)</b>	<b>1,260,667</b>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	94,034,779	1,340,128	-	95,374,907
Donated Developer Lines	4,718,684	203,330	-	4,922,014
Vehicles	187,444	69,384	-	256,828
Office Furniture and Equipment	250,422	37,575	-	287,997
General Equipment	737,371	75,070	-	812,441
Safety Equipment	30,387	-	-	30,387
<b>Total Capital Assets, Being Depreciated</b>	<b>99,991,087</b>	<b>1,725,487</b>	<b>-</b>	<b>101,716,574</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(17,278)	(2,030)	-	(19,308)
Facilities, Lines & Related Infrastructure	(56,349,430)	(2,388,740)	-	(58,738,170)
Donated Developer Lines	(2,396,282)	(98,440)	-	(2,494,722)
Vehicles	(157,465)	(13,685)	-	(171,150)
Office Furniture and Equipment	(220,166)	(13,491)	-	(233,657)
General Equipment	(531,475)	(36,616)	-	(568,091)
Safety Equipment	(26,774)	(872)	-	(27,646)
<b>Total Accumulated Depreciation</b>	<b>(59,698,870)</b>	<b>(2,553,874)</b>	<b>-</b>	<b>(62,252,744)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>40,292,217</b>	<b>(828,387)</b>	<b>-</b>	<b>39,463,830</b>
<b>Total Capital Assets</b>	<b>\$ 42,478,440</b>	<b>\$ (525,362)</b>	<b>\$ (1,228,581)</b>	<b>\$ 40,724,497</b>

**NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE**

Account receivable balances at December 31, 2015 and 2014 for operating billings are as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ 823,411	\$ 791,478
Over 30 days	33,303	24,075
Over 60 days	20,428	32,331
Over 90 days	<u>108,986</u>	<u>100,003</u>
Gross Receivables	986,128	947,887
Less: Allowance for Doubtful Accounts	<u>(150,000)</u>	<u>(150,000)</u>
Net Accounts Receivable	<u>\$ 836,128</u>	<u>\$ 797,887</u>

Southwest Licking Community Water and Sewer District  
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**NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE (Continued)**

Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances at December 31, 2015 and 2014, are deferred agricultural property assessments and the related accrued interest receivable. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a liability account that is called unearned special assessments. The time frame of collection is undeterminable. The assessment accounts receivable balances at December 31, 2015 and December 31, 2014 are \$11,962,736 and \$12,762,093, respectively.

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

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

SWLCWSD has nine (9) interest free loans from the Ohio Public Works Commission. Each loan requires semiannual payments for a term of twenty (20) years. Loan CQ616 for \$481,332, used to finance the Columbia Center/Fursville sanitary sewer lines, began on January 1, 1995 and will mature January 1, 2015. Loan CQ808 for \$236,351, used to finance Blanches E. Broad Street Addition waterline improvements, commenced July 1, 1995 and will mature July 1, 2015. Loan CQ807 for \$290,364 was used to finance Happy Homes/Sunshine Park sanitary sewer improvements. The loan commenced July 1, 1996 and will mature July 1, 2016. Loan CQ021 for \$248,600 was used to finance Cleveland Road/Mink Street sanitary sewer improvements. The loan commenced in 1999 and will mature July 1, 2020. Loan CQ23D for \$500,000 was used to assist in the Phase I-A Wastewater Treatment Plant expansion. The loan commenced in 2002 and will mature July 1, 2022. Loan CQ24E is in the amount of \$733,000 and was used to assist in the Phase I-B Wastewater Treatment Plant expansion. The loan commenced in 2004 and will mature July 1, 2024. Loan CQ06M for \$529,142 was used to finance the York Road/Refugee Road Pump Station Upgrade. The loan commenced in 2010 and will mature January 1, 2031. Loan CQ25N for \$39,481 was used to finance the Columbia Road Pump Station Elimination Project, began in 2012 and will mature July 1, 2032. Loan CQ32P for \$1,388,390 was used to rehabilitate the Annette/Summit Road Pump Station. The loan commenced in 2014 and will mature July 1, 2044.

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



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

Long-term debt obligations and the related transactions for the years ended December 31, 2015 and 2014 are summarized below:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Amount Due Within One Year
O.W.D.A	\$ 39,395,884	\$ 177,999	\$ 3,975,043	\$ 35,598,840	\$ 4,713,437
O.P.W.C	2,340,250	278,375	143,022	2,475,603	149,272
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Compensated Absences	138,409	99,177	94,555	143,031	22,300
	<u>\$ 42,447,319</u>	<u>\$ 555,551</u>	<u>\$ 4,212,620</u>	<u>\$ 38,790,250</u>	<u>\$ 4,885,009</u>

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Amount Due Within One Year
O.W.D.A	\$ 43,676,553	\$ 2,981	\$ 4,283,650	\$ 39,395,884	\$ 4,534,138
O.P.W.C	1,586,363	908,945	155,058	2,340,250	166,165
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Compensated Absences	137,085	96,850	95,526	138,409	17,560
	<u>\$ 45,972,777</u>	<u>\$ 1,008,776</u>	<u>\$ 4,534,234</u>	<u>\$ 42,447,319</u>	<u>\$ 4,717,863</u>

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

<u>Loan #</u>	<u>Payable To</u>	<u>Interest Rate</u>	<u>First Payment</u>	<u>Principal Term</u>	<u>Principal Due in 2016</u>	<u>Principal Due after 2016</u>
1865	O.W.D.A.	7.54	1/1/1994	25 yrs.	174,923	285,532
1866	O.W.D.A.	6.24	1/1/1994	25 yrs.	16,722	26,910
1867	O.W.D.A.	7.45	1/1/1994	25 yrs.	196,404	320,263
1868	O.W.D.A.	6.61	1/1/1994	25 yrs.	31,145	50,327
1869	O.W.D.A.	6.61	1/1/1995	25 yrs.	319,934	892,225
2005	O.W.D.A.	5.90	7/1/1996	25 yrs.	89,356	413,347
2093	O.W.D.A.	6.87	7/1/1997	25 yrs.	255,893	1,568,598
2094	O.W.D.A.	6.87	7/1/1997	25 yrs.	266,273	1,632,227
2095	O.W.D.A.	6.36	1/1/1998	25 yrs.	80,704	543,978
2096	O.W.D.A.	6.36	1/1/1998	25 yrs.	40,389	272,240
2099	O.W.D.A.	6.32	7/1/1999	25 yrs.	36,839	331,987
2101	O.W.D.A.	6.11	7/1/1999	25 yrs.	80,344	718,011
2103	O.W.D.A.	6.11	7/1/1999	25 yrs.	58,546	523,210
2174	O.W.D.A.	5.77	1/1/2002	25 yrs.	34,493	447,059
2930	O.W.D.A.	5.90	7/1/1996	25 yrs.	48,984	226,589
2956	O.W.D.A.	6.64	1/1/1997	25 yrs.	10,881	58,508
2957	O.W.D.A.	6.64	1/1/1997	25 yrs.	35,713	192,039
2969	O.W.D.A.	6.72	1/1/1997	25 yrs.	65,445	352,639
2970	O.W.D.A.	6.72	1/1/1997	25 yrs.	254,446	1,371,118
2971	O.W.D.A.	6.36	1/1/1997	25 yrs.	23,610	126,017
3019	O.W.D.A.	6.85	1/1/1995	25 yrs.	292,967	820,342
3020	O.W.D.A.	6.02	1/1/1995	25 yrs.	22,264	61,516
3021	O.W.D.A.	5.77	1/1/1995	25 yrs.	13,964	38,425
3025	O.W.D.A.	6.75	7/1/1995	25 yrs.	226,392	775,042
3039	O.W.D.A.	6.51	7/1/1995	25 yrs.	90,469	308,331
3040	O.W.D.A.	5.77	7/1/1996	25 yrs.	14,243	65,684
3041	O.W.D.A.	6.51	7/1/1995	25 yrs.	123,511	420,942
3043	O.W.D.A.	6.24	7/1/1995	25 yrs.	185,451	628,642
3048	O.W.D.A.	6.24	7/1/1995	25 yrs.	4,662	15,803
3053	O.W.D.A.	6.16	7/1/1995	25 yrs.	7,748	26,226
3054	O.W.D.A.	6.16	7/1/1995	25 yrs.	25,928	87,766
3055	O.W.D.A.	6.16	7/1/1995	25 yrs.	77,493	262,312
3063	O.W.D.A.	6.16	1/1/1996	25 yrs.	60,183	240,797
3064	O.W.D.A.	6.16	1/1/1996	25 yrs.	11,029	44,128
3079	O.W.D.A.	6.02	1/1/1996	25 yrs.	150,747	601,417
3080	O.W.D.A.	6.02	1/1/1996	25 yrs.	73,287	292,353
Subtotal					\$ 3,501,382	\$ 15,042,550

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

<u>Loan #</u>	<u>Payable To</u>	<u>Interest Rate</u>	<u>First Payment</u>	<u>Principal Term</u>	<u>Principal Due in 2016</u>	<u>Principal Due after 2016</u>
3105	O.W.D.A.	5.77	1/1/1996	25 yrs.	24,676	97,921
3106	O.W.D.A.	5.77	1/1/1996	25 yrs.	17,748	70,426
3279	O.W.D.A.	6.41	1/1/2002	25 yrs.	198,947	2,671,333
3682	O.W.D.A.	5.20	7/1/2004	25 yrs.	104,132	1,772,062
3683	O.W.D.A.	5.20	7/1/2004	25 yrs.	30,724	522,852
3756	O.W.D.A.	3.59	1/1/2005	20 yrs.	366,281	3,204,912
3760	O.W.D.A.	4.84	7/1/2004	15 yrs.	69,083	148,484
3912	O.W.D.A.	4.28	1/1/2005	25 yrs.	81,714	1,375,243
3944	O.W.D.A.	4.35	1/1/2005	25 yrs.	16,755	283,400
4314	O.W.D.A.	3.99	7/1/2006	25 yrs.	68,860	1,313,015
4315	O.W.D.A.	3.99	1/1/2007	25 yrs.	52,330	1,044,677
4316	O.W.D.A.	3.99	1/1/2007	20 yrs.	37,000	435,032
4437	O.W.D.A.	3.99	7/1/2006	25 yrs.	11,545	220,147
5008	O.W.D.A.	4.79	7/1/2010	25 yrs.	44,138	1,283,504
5009	O.W.D.A.	4.79	7/1/2010	25 yrs.	40,149	1,167,500
5392	O.W.D.A.	0.00	7/1/2010	20 yrs.	7,309	95,011
6956	O.W.D.A.	3.25	7/1/2016	5 yrs.	40,664	137,335
CQ021	O.P.W.C.	0.00	1/1/2000	20 yrs.	12,430	37,290
CQ807	O.P.W.C.	0.00	1/1/1997	20 yrs.	13,598	-
CQ23D	O.P.W.C.	0.00	1/1/2003	20 yrs.	17,339	112,706
CQ24E	O.P.W.C.	0.00	1/1/2005	20 yrs.	24,235	193,876
CQ06M	O.P.W.C.	0.00	7/1/2011	20 yrs.	26,457	383,628
CQ25N	O.P.W.C.	0.00	1/1/2013	20 yrs.	1,974	31,584
CQ32P	O.P.W.C.	0.00	7/1/2014	30 yrs.	46,280	1,295,830
CQ39Q	O.P.W.C.	0.00	7/1/2016	20 yrs.	6,959	271,416
Rotary		0.00		20 yrs.	-	106,351
Rotary		0.00		20 yrs.	-	175,095
Rotary		0.00		20 yrs.	-	65,495
Highland Hills Recoupment		9.25		Indefinite	-	225,835
Subtotal for this page					1,361,327	18,741,960
Subtotal from previous page					3,501,382	15,042,550
Total					<u>\$ 4,862,709</u>	<u>\$ 33,784,510</u>

Southwest Licking Community Water and Sewer District  
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Notes to the Basic Financial Statements - Continued  
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**NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)**

Year Ending December 30,	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2016	4,672,772	1,985,928	6,658,700	149,272	-	149,272
2017	4,958,695	1,700,006	6,658,701	142,633	-	142,633
2018	5,012,249	1,396,194	6,408,443	142,633	-	142,633
2019	4,580,233	1,092,379	5,672,612	142,633	-	142,633
2020	3,275,541	817,989	4,093,530	130,203	-	130,203
2021-2025	8,785,083	2,016,524	10,801,607	583,434	-	583,434
2026-2030	3,352,145	530,497	3,882,642	443,148	-	443,148
2031-2035	784,124	132,598	916,722	318,169	-	318,169
2036-2040	-	-	-	231,398	-	231,398
2041-2045	-	-	-	185,119	-	185,119
Total	<u>\$ 35,420,842</u>	<u>\$ 9,672,115</u>	<u>\$ 45,092,957</u>	<u>\$ 2,468,642</u>	<u>\$ -</u>	<u>\$ 2,468,642</u>

Year Ending December 30,	Total		
	Principal	Interest	Total
2016	\$ 4,822,044	\$ 1,985,928	\$ 6,807,972
2017	5,101,328	1,700,006	6,801,334
2018	5,154,882	1,396,194	6,551,076
2019	4,722,866	1,092,379	5,815,245
2020	3,405,744	817,989	4,223,733
2021-2025	9,368,517	2,016,524	11,385,041
2026-2030	3,795,293	530,497	4,325,790
2031-2035	1,102,293	132,598	1,234,891
2036-2040	231,398	-	231,398
2041-2045	185,119	-	185,119
Total	<u>\$ 37,889,484</u>	<u>\$ 9,672,115</u>	<u>\$ 47,561,599</u>

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

OWDA Loan #6956 is not shown on the above amortization schedule as the loan was still open as of December 31, 2015.

In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$45,092,957 at December 31, 2015 and \$51,133,051 at December 31, 2014. For the year ended December 31, 2015 net revenue available, principal and interest paid and the coverage ratio is as follows: \$4,507,622, \$6,309,770, and 0.71, respectively. For the year ended December 31, 2014 net revenue available, principal and interest paid and the coverage ratio is as follows: \$4,539,359, \$6,729,601, and 0.67, respectively.

**NOTE I - DEFINED BENEFIT RETIREMENT PLAN**

**Fiscal Year 2015 Required Disclosure**

**Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant effect on beginning net position as reported December 31, 2014, as more fully described in Note R. The net pension liability has been disclosed below. 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 District’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

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

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

Southwest Licking Community Water and Sewer District  
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**NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued**

**Fiscal Year 2015 Required Disclosure - Continued**

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

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

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

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 Notes to the Basic Financial Statements - Continued  
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**NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued**

**Fiscal Year 2015 Required Disclosure - Continued**

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution to OPERS was \$113,897 in fiscal year 2015.

**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, 2015 was measured as of December 31, 2014, 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:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	0.007460%
Proportion of the Net Pension Liability	\$899,759
Pension Expense	\$98,236

Southwest Licking Community Water and Sewer District  
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**NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued**

**Fiscal Year 2015 Required Disclosure – Continued**

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

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<b><u>OPERS</u></b>
Differences between expected and actual economic experience	\$48,008
District contributions subsequent to the measurement date	<u>113,897</u>
<b>Total</b>	<b><u><u>\$161,905</u></u></b>
<b>Deferred Inflows of Resources</b>	<b><u>OPERS</u></b>
Differences between projected and actual investment earnings	<u>\$15,807</u>
<b>Total</b>	<b><u><u>\$15,807</u></u></b>

\$113,897 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	<b><u>OPERS</u></b>
2016	\$8,050
2017	8,050
2018	8,050
2019	<u>8,051</u>
<b>Total</b>	<b><u><u>\$32,201</u></u></b>

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age



**NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued**

**Fiscal Year 2015 Required Disclosure - Continued**

**Actuarial Assumptions - OPERS - Continued**

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 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation for 2014</u>	<u>Weighted Average Long Term Expected Real Rate of Return</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	

**NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued**

**Fiscal Year 2015 Required Disclosure - Continued**

**Actuarial Assumptions – OPERS - Continued**

**Discount Rate** The discount rate used to measure the total pension liability was 8.0%. 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 statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Increase 9.0%
District's proportionate share of the net pension liability	\$1,655,299	\$899,759	\$263,413

**Fiscal Year 2014 Required Disclosure**

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
  - 1) The Traditional Pension Plan – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. 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, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2015, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan. The member contribution rates were 10.0% for 2015, 2014, and 2013 for the SWLCWSD. The employer contribution rates were 14.0% for 2015, 2014, and 2013 of covered payroll for the SWLCWSD.

SWLCWSD’s contributions to OPERS for the years ended December 31, 2015, 2014, and 2013, were \$127,419, \$110,533, and \$97,602, respectively. For fiscal year 2015, 87% of the required contributions had been made and for fiscal years 2014 and 2013, 100% of the required contributions had been made.

**NOTE J - POSTEMPLOYMENT BENEFITS**

- A. 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 healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

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

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. Employer's contributions are expressed as a percentage of the earnable salary of active members. In 2015, the District contributed at 14.0% of earnable salary for local government employer units. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 2.0% during calendar years 2015 and 2014. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% during calendar year 2013. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$18,989 for 2015, \$18,195 for 2014, and \$7,892 for 2013, which were equal to the required contributions for those years.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan which commenced January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2015 and 2014

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**NOTE K - RISK MANAGEMENT**

The SWLCWSD is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the years ended December 31, 2015 and 2014 the SWLCWSD contracted for the following insurance coverage:

Property	\$26,818,021
General Liability	2,000,000
Public Officials	1,000,000
Commercial Umbrella	5,000,000
Automobile	1,000,000
Employee Benefits Liability/Aggregate	1,000,000/\$2,000,000

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

**NOTE L - RELATED PARTY TRANSACTIONS**

No related party transactions existed at December 31, 2015 and 2014.

**NOTE M - CONTINGENT LIABILITIES**

During the years ended December 31, 2015 and 2014 SWLCWSD was involved in litigation; however, management does not believe that the effect, if any, on the financial statements would be material. The litigation during 2014 was dismissed during 2014 with no significant effect on the District's financial statements.

**NOTE N - DEBT SERVICE FEE**

The SWLCWSD has a debt service fee to assist in meeting debt service requirement which was \$11.95 per month per sewer customer during both 2015 and 2014. The proceeds of the fee are restricted to the payment of sewer debt service. During 2015 and 2014 the SWLCWSD collected \$1,027,420 and \$1,003,136 in debt service fees and expended more than \$3.7 million in 2015 and \$4.5 million in 2014 in principal and interest payments on sewer related debt.

**NOTE O - INSPECTION INCOME**

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

**NOTE P - MISCELLANEOUS INCOME**

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

**NOTE Q - INTEREST EXPENSE**

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

	<u>2015</u>	<u>2014</u>
OWDA- Water	\$ 851,569	\$ 958,861
OWDA- Sewer	1,482,338	1,486,327
Total interest expense	<u>\$ 2,333,907</u>	<u>\$ 2,445,188</u>

Southwest Licking Community Water and Sewer District  
 Licking County, Ohio  
 Notes to the Basic Financial Statements - Continued  
 For the Years Ended December 31, 2015 and 2014

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**NOTE R – CHANGES IN ACCOUNTING PRINCIPLES**

For 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability

The impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position as of January 1, 2015.

Net position, January 1, 2015-As previously stated	\$10,892,363
District Share of Beginning Plan Net Pension Liability	(879,437)
District Share of 2014 Employer Contributions	<u>109,748</u>
Net position, January 1, 2015-As restated	<u>\$10,122,674</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE S – CONTRACTUAL COMMITMENTS**

<u>Name of Vendor</u>	<u>Description of Project</u>	<u>Contract Amount</u>	<u>Expended as of 12/31/15</u>	<u>Remaining Balance</u>
URS Corp. Design	Engineering services for New Water Treatment Center	\$600,000	\$132,000	\$468,000
CDM Smith Inc.	Engineering services for Elevated Water Storage Tank and WaterCAD Model	\$210,433	\$73,494	\$136,939

**NOTE T – SUBSEQUENT EVENTS**

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest rate to 4.00%. The buy-down will be credited to District payments starting with the July 1, 2016 due dates and will result in an estimated interest savings of \$2,871,529 over the remaining lives of the loans.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 89,017,348,266	\$ 86,407,229,435
Plan net position	<u>76,956,230,642</u>	<u>74,618,532,269</u>
Net pension liability	12,061,117,624	11,788,697,166
District's proportion of the net pension liability	0.007460%	0.007460%
District's proportionate share of the net pension liability	\$ 899,759	\$ 879,437
District's covered-employee payroll	\$ 914,567	\$ 850,254
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.40%	103.40%
Plan fiduciary net position as a percentage of the total pension liability	86.50%	86.40%

**Southwest Licking Community Water and Sewer District**  
*Required Supplementary Information*  
*Schedule of District Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 113,897	\$ 109,748	\$ 110,533	\$ 97,602	\$ 139,928	\$ 190,915	\$ 152,008	\$ 130,610	\$ 130,505	\$ 131,429
Contributions in relation to the contractually required contribution	<u>(113,897)</u>	<u>(109,748)</u>	<u>(110,533)</u>	<u>(97,602)</u>	<u>(139,928)</u>	<u>(190,915)</u>	<u>(152,008)</u>	<u>(130,610)</u>	<u>(130,505)</u>	<u>(131,429)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 949,142	\$ 914,567	\$ 850,254	\$ 976,020	\$ 1,399,280	\$ 2,181,886	\$ 1,961,394	\$ 1,865,857	\$ 1,562,934	\$ 1,452,254
Contributions as a percentage of covered employee payroll	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%	7.00%	8.35%	9.05%



## **SUPPLEMENTARY INFORMATION**

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Schedules of Revenues, Expenses, Non-Operating Revenues (Expenses) and Capital Contributions - Water  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 2,487,414	\$ 2,416,653
Late charges	87,472	75,962
<b>TOTAL OPERATING REVENUES</b>	<u>2,574,886</u>	<u>2,492,615</u>
<b>OPERATING EXPENSES</b>		
Salaries	169,519	183,379
Training	85	603
Medicare tax expense	2,095	2,294
P.E.R.S. expense	18,307	22,659
Workers compensation	1,599	2,254
Operations and testing	9,080	9,923
Chemicals and operating supplies	228,003	179,932
Equipment rental	533	120
Repairs and maintenance	148,316	140,293
Advertising and communications	-	455
Insurance:		
Health	44,604	46,554
Telephone	4,018	4,078
Utilities	138,869	135,398
Office supplies	1,728	1,446
Uniform rental	549	1,346
Small tools	-	604
Licenses	9,522	10,963
Security	51	53
Depreciation	757,085	743,358
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 1,533,963</u>	<u>\$ 1,485,712</u>
<b>NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS</b>		
Capital contributions - special assessments	10,606	56,971
Capital contributions - developers	-	78,244
Inspection revenue	1,200	2,609
Tap fee income	848,828	471,924
Capacity revenue	47,260	64,635
Interest income	204,502	287,427
Intergovernmental revenue	-	42,778
Interest expense	(851,569)	(958,861)
Miscellaneous income	32,687	28,196
<b>TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS</b>	<u>\$ 293,514</u>	<u>\$ 73,923</u>

See Accountant's Compilation Report.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Schedules of Revenues, Expenses, Non-Operating  
Revenues (Expenses) and Capital Contributions - Wastewater Treatment Plant  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 4,554,373	\$ 4,475,986
Late charges	197,011	180,961
<b>TOTAL OPERATING REVENUES</b>	<u>4,751,384</u>	<u>4,656,947</u>
<b>OPERATING EXPENSES</b>		
Salaries	167,434	162,944
Training	2,141	2,044
Medicare tax expense	2,738	2,343
P.E.R.S. expense	25,689	21,705
Workers compensation	2,270	2,197
Operations and testing	19,967	16,599
Chemicals and operating supplies	16,867	15,702
Equipment rental	533	120
Repairs and maintenance	78,484	85,015
Biosolids Processing	56,528	52,578
Insurance:		
Health	24,461	21,273
Telephone	3,006	3,217
Utilities	188,423	190,166
Refuse	2,171	2,402
Office supplies	1,217	448
Uniform rental	541	361
Small tools	332	452
Dues and subscriptions	61	61
Licenses	6,061	9,037
Security	51	53
Depreciation	829,674	760,626
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 1,428,649</u>	<u>\$ 1,349,343</u>
<b>NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS</b>		
Debt service fee income	1,027,420	1,003,136
Capital contributions - special assessments	11,221	60,366
Capital contributions - intergovernmental	-	278,764
Capital contributions - developers	-	125,086
Inspection revenue	1,715	8,284
Tap fee income	609,597	436,255
Capacity fee revenue	19,460	64,635
Interest income	260,674	356,598
Intergovernmental	6,512	8,432
Interest expense	(1,482,338)	(1,486,327)
Miscellaneous income	15,669	1,832
<b>TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS</b>	<u>\$ 469,930</u>	<u>\$ 857,061</u>

See Accountant's Compilation Report.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Schedules of Expenses and Non-Operating Revenues - Collection  
For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>OPERATING EXPENSES</b>		
Salaries	\$ 129,824	\$ 122,642
Training	35	204
Medicare tax expense	1,606	1,576
P.E.R.S. expense	13,495	14,605
Workers compensation	1,183	1,478
Chemicals and operating supplies	6,567	10,814
Equipment rental	2,079	824
Repairs and maintenance	203,513	120,829
Insurance:		
Health	6,964	5,084
Telephone	1,766	1,927
Utilities	76,875	79,920
Office supplies	1,056	76
Uniform rental	234	369
Small Tools	-	1,699
Licenses	35	145
Security	51	53
Depreciation	981,628	1,022,184
	<b>\$ 1,426,911</b>	<b>\$ 1,384,429</b>
<b>NON-OPERATING REVENUES</b>		
Miscellaneous Income	-	973
<b>TOTAL NON-OPERATING REVENUES</b>	<b>\$ -</b>	<b>\$ 973</b>

See Accountant's Compilation Report.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Schedules of Expenses and Non-Operating Revenues - Administration  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>OPERATING EXPENSES</b>		
Salaries	\$ 381,956	\$ 381,068
Training		916
Medicare tax expense	5,585	5,187
P.E.R.S. expense	46,273	48,072
Workers compensation	4,098	4,866
Operating & testing	115	50
Chemicals and operating supplies		-
Refuse	1,425	1,297
Equipment rental	4,060	2,987
Repairs and maintenance	10,653	10,804
Engineering	13,082	560
Legal	128,973	26,545
Accounting		14,000
Audit fees		12,785
Advertising and communications	804	65
Board designated expenses		182
Insurance:		
General	47,395	45,357
Health	84,059	79,477
Life	1,627	1,666
Telephone	7,061	7,377
Office supplies	17,352	20,829
Uniform rental	372	460
Postage	40,599	40,109
Security	240	231
Vehicle expense	6,990	7,047
Collection and bank fees	46	71
Dues and subscriptions	1,651	5,104
Licenses	20,812	16,390
Depreciation	13,338	15,787
Amortization	7,694	8,067
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 846,260</u>	<u>\$ 757,356</u>
<b>NON-OPERATING REVENUES</b>		
Miscellaneous Income	-	3,204
<b>TOTAL NON-OPERATING REVENUES</b>	<u>\$ -</u>	<u>\$ 3,204</u>

See Accountant's Compilation Report.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Schedules of Expenses and Non-Operating Revenues - Engineering  
For the Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>OPERATING EXPENSES</b>		
Salaries	\$ 112,433	\$ 102,068
Medicare tax expense	1,363	1,509
P.E.R.S. expense	13,094	14,219
Workers compensation	1,003	1,417
Chemicals and operating supplies	6,418	11,882
Equipment Rental	800	120
Repairs and maintenance	3,802	12,994
Insurance:		
Health	29,240	36,349
Telephone	2,252	1,840
Office supplies	690	183
Uniform rental	1,020	654
Security	51	53
General manager discretionary	118	97
Depreciation	9,734	11,919
	<b>\$ 182,018</b>	<b>\$ 195,304</b>
<b>NON-OPERATING REVENUES</b>		
Miscellaneous Income	-	933
<b>TOTAL NON-OPERATING REVENUES</b>	<b>\$ -</b>	<b>\$ 933</b>

See Accountant's Compilation Report.