

Southwest Licking Community Water and Sewer District
Licking County, Ohio

Basic Financial Statements

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For the Years Ended December 31, 2016 and 2015



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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Southwest Licking Community Water and Sewer District
Licking County, Ohio
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April 20, 2017

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, 2016 and 2015, 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.

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Southwest Licking Community Water and Sewer District
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Management's Discussion and Analysis
For the Fiscal Years Ended December 31, 2016 and 2015
(Unaudited)

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, 2016 by \$16.6 million and on December 31, 2015 by \$12.8 million. The District's net position increased by \$3.8 million (29.5%) in 2016 and increased by \$2.7 million (26.4%) in 2015.

The District's operating revenues increased by \$164 thousand (2.2%) in 2016 and increased by \$177 thousand (2.5%) in 2015. Operating expenses (excluding depreciation and amortization expenses) increased \$190 thousand (6.75%) in 2016 and increased \$208 thousand (8.0%) in 2015. Depreciation and amortization expense decreased by \$35 thousand (-1.4%) in 2016 and increased by \$37 thousand (1.5%) in 2015. The District's non-operating revenues increased by \$527 thousand (17.1%) in 2016 and increased by \$293 thousand (10.5%) in 2015. The District's non-operating expenses decreased by \$351 thousand (-15.1%) in 2016 and decreased by \$111 thousand (-4.6%) in 2015.

The District issued \$575,854 of additional long term debt in 2016 and \$456,374 of additional long term debt in 2015.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

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

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

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

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

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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

	2016	2015	Change Amount	2014	Change Amount
Current and Other Assets	\$ 21,104,598	\$ 19,994,723	\$ 1,109,875	\$ 19,388,372	\$ 606,351
Restricted Assets	45,901	45,896	5	45,892	4
Capital Assets, Net	37,862,583	39,186,149	(1,323,566)	40,724,497	(1,538,348)
Total Assets	59,013,082	59,226,768	(213,686)	60,158,761	(931,993)
Deferred Outflows of Resources					
Pensions	504,679	161,905	342,774	-	161,905
Total Deferred Outflows of Resources	504,679	161,905	342,774	-	161,905
Long Term Liabilities	30,614,585	34,805,000	(4,190,415)	37,729,456	(2,924,456)
Current and Other Liabilities	5,638,003	5,147,520	490,483	5,050,349	97,171
Total Liabilities	36,252,588	39,952,520	(3,699,932)	42,779,805	(2,827,285)
Deferred Inflows of Resources					
Unearned Special Assessments	6,668,944	6,625,759	43,185	6,486,593	139,166
Pensions	25,114	15,807	9,307	-	15,807
Total Deferred Inflows of Resources	6,694,058	6,641,566	52,492	6,486,593	154,973
Net Position					
Net Investment in Capital Assets	3,519,593	520,930	2,998,663	(1,584,413)	2,105,343
Unrestricted	13,051,522	12,273,657	777,865	12,476,776	(203,119)
Total Net Position	\$ 16,571,115	\$ 12,794,587	\$ 3,776,528	\$ 10,892,363	\$ 1,902,224

* - 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.

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

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

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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.

The District's net position increased by \$3.8 million (29.5%) in 2016 and increased by \$1.9 million (17.5%) in 2015 after excluding the effects of the GASB 68 and 71 implementations in 2015.

The increase in 2016 is primarily due to the decrease in total liabilities of approximately \$3.7 million which was partially offset by a decrease in total assets of approximately \$.2 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 and intergovernmental receivables. Cash increased due to cash receipts exceeding cash disbursements primarily due to the OWDA interest subsidy which reduced cash interest payments in 2016 and special assessment collections in 2016. 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.

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.

Unrestricted net position (excluding the restatement of beginning net position for GASB 68 and GASB 71 implementation for 2015) increased by \$.8 million (6.3%) in 2016 and decreased by \$.2 million (1.6%) in 2015. Unrestricted net assets may be used without constraints established by legal requirements. Cash and cash equivalents increased \$1.7 million (23.6%) in 2016 and increased \$1.4 million (23.8%) in 2015.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 2

	2016	2015	Change	2014	Change
Operating Revenues	\$ 7,490,663	\$ 7,326,270	\$ 164,393	\$ 7,149,562	\$ 176,708
Operating Expenses (Excluding Depreciation & Amortization)	3,008,916	2,818,648	190,268	2,610,203	208,445
Depreciation & Amortization	2,563,658	2,599,153	(35,495)	2,561,941	37,212
Total Operating Expenses	5,572,574	5,417,801	154,773	5,172,144	245,657
Operating Gain/(Loss)	1,918,089	1,908,469	9,620	1,977,418	(68,949)
Non-Operating Revenues	3,602,679	3,075,524	527,155	2,781,851	293,673
Non-Operating Expenses	1,983,179	2,333,907	(350,728)	2,445,188	(111,281)
Capital Contributions	238,939	21,827	217,112	599,431	(577,604)
Changes in Net Position	3,776,528	2,671,913	1,104,615	2,913,512	(241,599)
Net Position at Beginning of Year	12,794,587	10,122,674 *	2,671,913	7,978,851	2,143,823
Net Position at End of Year	\$ 16,571,115	\$ 12,794,587	\$ 3,776,528	\$ 10,892,363	\$ 1,902,224

* - 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 \$164 thousand (2.2%) in 2016. This increase was related to an increase in service revenues received by the customers. Non-operating revenues increased \$527 thousand (17.1%) in 2016. This increase is primarily due to an increase in intergovernmental revenue which was partially offset by a decrease in tap fee income and interest income. The increase in intergovernmental revenue is due to an interest subsidy program implemented by the Ohio Water Development Authority during 2016. OWDA provided reductions in interest required to be paid on loans over a predetermined interest rate and this interest rate reduction is recognized as intergovernmental revenue in the accompanying statements with a corresponding charge to interest expense. The decrease in tap fee revenue is the result of slightly less construction activity during 2016; however, the revenues were still a substantial source of revenues for 2016. 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 \$238,939 in 2016 (an increase from \$21,827 in 2015). The increase was due to donated lines from developers in 2016 which did not occur in 2015, the receipt of deferred special assessment revenue in 2016, and a grant of \$121,220 from the Ohio Public Works Commission for construction activity. Capital contributions will fluctuate from year to year depending on developer construction activity, grants available from the federal and state governments and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating revenues increased \$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 expenses, excluding depreciation and amortization, increased \$190 thousand (6.8%) in 2016. This increase was primarily due to an increase in retirement expenses, health insurance, accounting and audit fees and repairs and maintenance. Retirement expenses increased due to increases in pension liabilities which are based upon actuarial valuations. Health insurance increased due to inflationary increases. Accounting and audit fees increased as the District had their audit during 2016 which is only done every two years. Repairs and maintenance increased due to additional work being required during 2016. Depreciation and amortization expense decreased slightly from 2015. Interest expense decreased as principal balances declined from the prior year.

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.

CAPITAL ASSETS

The District had \$105.2 million invested in capital assets (before accumulated depreciation of \$67.3 million) at the end of 2016. This amount is a decrease of \$1.324 million (3.4%) from the previous year. Additional information regarding capital assets can be found in Note F to the basic financial statements.

Table 3

	<u>2016</u>	<u>2015</u>	<u>Change Amount</u>	<u>2014</u>	<u>Change Amount</u>
Capital Assets Not Being Depreciated:					
Land	\$ 914,738	\$ 914,738	\$ -	\$ 914,738	\$ -
Land Easements	342,429	342,429	-	342,429	-
Construction in Progress	1,674,958	734,942	940,016	3,500	731,442
Total Capital Assets Not Being Depreciated	<u>2,932,125</u>	<u>1,992,109</u>	<u>940,016</u>	<u>1,260,667</u>	<u>731,442</u>
Capital Assets Being Depreciated (Net of Accumulated Depreciation):					
Land Improvements	8,633	10,662	(2,029)	12,692	(2,030)
Facilities, Lines & Related Infrastructure	32,145,762	34,445,105	(2,299,343)	36,636,737	(2,191,632)
Donated Developer Lines	2,315,405	2,328,852	(13,447)	2,427,292	(98,440)
Vehicles	143,873	129,279	14,594	85,678	43,601
Office Furniture and Equipment	43,868	49,895	(6,027)	54,340	(4,445)
General Equipment	271,173	228,378	42,795	244,350	(15,972)
Safety Equipment	1,744	1,869	(125)	2,741	(872)
Total Capital Assets Being Depreciated (Net)	<u>34,930,458</u>	<u>37,194,040</u>	<u>(2,263,582)</u>	<u>39,463,830</u>	<u>(2,269,790)</u>
Net Capital Assets	<u><u>\$ 37,862,583</u></u>	<u><u>\$ 39,186,149</u></u>	<u><u>\$ (1,323,566)</u></u>	<u><u>\$ 40,724,497</u></u>	<u><u>\$ (1,538,348)</u></u>

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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

	2016	2015	Change Amount	2014	Change Amount
OWDA Loans	\$ 31,461,258	\$ 35,598,840	\$ (4,137,582)	\$ 39,395,884	\$ (3,797,044)
OPWC Loans	2,308,956	2,475,603	(166,647)	2,340,250	135,353
Rotary Commission Loans	346,941	346,941	-	346,941	-
Highland Hills Recoupment Agreement	225,835	225,835	-	225,835	-
Total Long Term Debt	34,342,990	38,647,219	(4,304,229)	42,308,910	(3,661,691)
Less: Current Maturities	5,142,335	4,862,709	279,626	4,700,303	162,406
Net Total Long Term Debt	\$ 29,200,655	\$ 33,784,510	\$ (4,583,855)	\$ 37,608,607	\$ (3,824,097)

CASH

Cash and cash equivalents on December 31, 2016 and 2015 were \$8.8 million and \$7.1 million, respectively. \$46 thousand of these funds in 2016 and \$46 thousand of these funds in 2015 were restricted for specific use. These accounts are for escrowed contractor bonds.

CONTACT INFORMATION

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

Southwest Licking Community Water and Sewer District
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Statements of Net Position
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,728,399	\$ 7,055,717
Petty cash	515	531
Intergovernmental Receivable	296,039	55,799
Accounts receivable - operating billings less allowance for doubtful accounts (\$150,000 in 2016 and \$150,000 in 2015)	859,579	836,128
Prepaid items	47,502	43,513
Meter inventory	42,111	40,299
Total current assets	9,974,145	8,031,987
Noncurrent assets:		
Restricted Assets:		
Cash in savings-contractor bonds	45,901	45,896
Total restricted assets	45,901	45,896
Capital Assets:		
Non-Depreciable Capital Assets	2,932,125	1,260,667
Depreciable Capital Assets	34,930,458	37,925,482
Total Capital Assets, Net	37,862,583	39,186,149
Other Assets:		
Assessment receivables-water	6,253,191	6,570,124
Assessment receivables-sewer	4,877,262	5,392,612
Total other assets	11,130,453	11,962,736
Total Assets	\$ 59,013,082	\$ 59,226,768
Deferred Outflows of Resources		
Pensions	504,679	161,905
Total Deferred Outflows of Resources	\$ 504,679	\$ 161,905

(Continued on the following page)

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Statements of Net Position - Continued
As of December 31, 2016 and 2015

LIABILITIES	2016	2015
Current Liabilities:		
Accounts payable	\$ 55,244	\$ 76,304
Contracts payable	-	18,000
Deposits payable to developers	40,972	59,024
Contractor bonds payable	50,335	50,300
Accrued employee wages	19,731	14,430
Accrued interest payable	296,039	2,846
Note payable - current portion	5,142,335	4,862,709
Payroll taxes accrued and withheld	18,903	41,607
Compensated absences - current portion	14,444	22,300
Total current liabilities	<u>5,638,003</u>	<u>5,147,520</u>
Long Term Liabilities:		
Compensated absences	114,143	120,731
Net pension liability	1,299,787	899,759
Notes and recoupment agreements payable	29,200,655	33,784,510
Total long term liabilities	<u>30,614,585</u>	<u>34,805,000</u>
Total Liabilities	<u>36,252,588</u>	<u>39,952,520</u>
Deferred Inflows of Resources:		
Pension	25,114	15,807
Unearned special assessments	6,668,944	6,625,759
Total Deferred Inflows of Resources	<u>6,694,058</u>	<u>6,641,566</u>
Net Position:		
Net investment in capital assets	3,519,593	520,930
Unrestricted	13,051,522	12,273,657
Total net position	<u>\$ 16,571,115</u>	<u>\$ 12,794,587</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
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Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Service revenues	\$ 7,217,605	\$ 7,041,787
Late charges	273,058	284,483
Total operating revenues	<u>7,490,663</u>	<u>7,326,270</u>
OPERATING EXPENSES		
Salaries	971,646	961,166
Training	3,237	2,261
Medicare tax expense	14,852	13,387
P.E.R.S. expense	177,210	116,858
Workers compensation	12,355	10,153
Operations and testing	24,348	29,162
Chemicals and operating supplies	252,301	257,855
Biosolids processing	46,756	56,528
Refuse	3,784	3,596
Equipment rental	6,491	8,005
Repairs and maintenance	500,461	444,768
Engineering	35,248	13,082
Legal	109,036	128,973
Accounting	12,600	-
Audit fees	12,813	-
Advertising and communications	1,078	804
Insurance:		
General	47,651	47,395
Health	217,092	189,328
Life	1,092	1,627
Telephone	19,665	18,103
Utilities	426,698	404,167
Office supplies	19,985	22,043
Cleaning	2,000	-
Postage	48,387	40,599
Real estate taxes	-	-
Security	444	444
Uniform rental	2,478	2,716
Small tools	2,572	332
Vehicle expense	4,267	6,990
Collection and bank fees	30	46
Dues and subscriptions	4,601	1,712
Licenses	27,561	36,430
General manager discretionary	177	118
Depreciation	2,563,658	2,591,459
Amortization	-	7,694
Total operating expenses	<u>5,572,574</u>	<u>5,417,801</u>
Operating income	<u>1,918,089</u>	<u>1,908,469</u>
NON-OPERATING REVENUES (EXPENSES)		
Debt service fee income	1,048,116	1,027,420
Inspection revenue	640	2,915
Tap fee income	958,793	1,458,425
Capacity fee revenue	111,200	66,720
Interest income	438,627	465,176
Intergovernmental	980,190	6,512
Miscellaneous income	64,609	48,356
Gain on sale of capital assets	504	-
Interest expense	(1,983,179)	(2,333,907)
Total non-operating revenues (expenses)	<u>1,619,500</u>	<u>741,617</u>
Changes in net position before capital contributions	3,537,589	2,650,086
Capital contributions - special assessments	22,719	21,827
Capital contributions - intergovernmental	121,220	-
Capital contributions - developers	95,000	-
Changes in net position	3,776,528	2,671,913
Net position, beginning of year	<u>12,794,587</u>	<u>10,122,674</u>
Net position, end of year	<u>\$ 16,571,115</u>	<u>\$ 12,794,587</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, 2016 and 2015

	<u>2016</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 7,467,212	\$ 7,288,029
Cash payments to suppliers for goods and services	(1,641,530)	(1,619,091)
Cash payments for employee services and benefits	(1,426,094)	(1,328,896)
Net cash provided by operating activities	<u>4,399,588</u>	<u>4,340,042</u>
Cash Flows from Investing Activities:		
Interest income from savings	<u>5,271</u>	<u>6,790</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for planning and construction, including capitalized interest	(1,038,321)	(936,410)
Assessment principal payments received	968,187	959,581
Proceeds from sale of capital assets	504	-
Intergovernmental revenue	739,950	-
Capital contributions-intergovernmental	121,220	-
Debt service fees collected	1,048,116	1,027,420
Increase (decrease) in contractor bonds payable	35	(500)
Increase in developer deposits	(18,052)	27,991
Purchase of equipment and furniture	(94,527)	(37,211)
Purchase of vehicle	(33,683)	(61,490)
Construction loan proceeds	575,854	456,374
Principal repayments on loans	(4,880,083)	(4,118,065)
Interest repayments on loans	(1,689,986)	(2,334,727)
Assessment interest income	433,356	458,386
Inspection, capacity, tap fee and miscellaneous income	1,135,242	1,576,416
Net cash used for capital and related financing activities	<u>(2,732,188)</u>	<u>(2,982,235)</u>
Net increase in cash and cash equivalents	1,672,671	1,364,597
Cash and cash equivalents at beginning of year	<u>7,102,144</u>	<u>5,737,547</u>
Cash and cash equivalents at end of year	<u>\$ 8,774,815</u>	<u>\$ 7,102,144</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, 2016 and 2015

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 1,918,089	\$ 1,908,469
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization	2,563,658	2,599,153
Pension expense adjustments not affecting cash	-	(16,028)
Changes in Assets and Liabilities:		
(Increase) in accounts receivable	(23,451)	(38,241)
(Increase) decrease in prepaid items	(3,989)	56
(Increase) in meter inventory	(1,812)	(3,343)
Increase (decrease) in accounts payable (operating)	(21,060)	(89,675)
Increase (decrease) in compensated absences	(14,444)	4,622
Increase (decrease) in accrued wages, benefits and payroll taxes	(17,403)	(24,971)
Total adjustments	<u>2,481,499</u>	<u>2,431,573</u>
Net cash provided by operating activities	<u>\$ 4,399,588</u>	<u>\$ 4,340,042</u>
Non-cash transaction:		
Acquisition of capital assets through developer donation	<u>\$ 95,000</u>	<u>\$ -</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, 2016 and 2015

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 2016 and 2015. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to revenues is recorded during the year that the accounts are determined to be potentially uncollectible.

6. **Restricted Assets**

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

7. **Capital Assets**

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

Donated developer lines are stated at 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.

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 were 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 2016 and 2015 was \$0 and \$7,694, respectively. Since the tap rights were fully amortized at the end of fiscal year 2015, no balance is recorded in the accompanying financial statements.

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 2016 and 2015, 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The District did not have restricted net position for 2016 or 2015.

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.

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, 2016 and 2015 was \$45,901 and \$45,896, 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, 2016 and 2015

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, 2016 and 2015

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, 2016, SWLCWSD’s bank balance of \$981,923 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. 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. At fiscal year-end 2016 and 2015, the carrying amount of the District’s deposits was \$897,905 and \$549,356, exclusive of the repurchase agreement.

Investments

As of December 31, 2016 and December 31, 2015, SWLCWSD had the following investments and maturities:

	2016		2015	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$ 7,876,395	0	\$ 6,552,257	0
Total Fair Value	\$ 7,876,395		\$ 6,552,257	

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, 2016 and 2015

NOTE E - INTEREST INCOME

Interest income came from the following sources:

	2016	2015
Interest income from repurchase agreements and savings accounts	\$ 5,271	\$ 6,790
Interest income from assessments, accrued and collected	433,356	458,386
Total interest income	\$ 438,627	\$ 465,176

NOTE F – CAPITAL ASSETS

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

	Ending Balance 12/31/15	Additions	Deletions	Ending Balance 12/31/16
Capital Assets, Not Being Depreciated				
Land	\$ 914,738	\$ -	\$ -	\$ 914,738
Land Easements	342,429	-	-	342,429
Construction in Progress	734,942	943,516	(3,500)	1,674,958
Total Capital Assets, Not Being Depreciated	1,992,109	943,516	(3,500)	2,932,125
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	95,597,875	76,866	-	95,674,741
Donated Developer Lines	4,922,014	95,000	-	5,017,014
Vehicles	271,093	33,683	(28,213)	276,563
Office Furniture and Equipment	294,927	2,995	-	297,922
General Equipment	842,722	91,532	-	934,254
Safety Equipment	30,387	-	-	30,387
Total Capital Assets, Being Depreciated	101,991,018	300,076	(28,213)	102,262,881
Less Accumulated Depreciation:				
Land Improvements	(21,338)	(2,029)	-	(23,367)
Facilities, Lines & Related Infrastructure	(61,152,770)	(2,376,209)	-	(63,528,979)
Donated Developer Lines	(2,593,162)	(108,447)	-	(2,701,609)
Vehicles	(141,814)	(19,089)	28,213	(132,690)
Office Furniture and Equipment	(245,032)	(9,022)	-	(254,054)
General Equipment	(614,344)	(48,737)	-	(663,081)
Safety Equipment	(28,518)	(125)	-	(28,643)
Total Accumulated Depreciation	(64,796,978)	(2,563,658)	28,213	(67,332,423)
Total Capital Assets Being Depreciated, Net	37,194,040	(2,263,582)	-	34,930,458
Total Capital Assets	\$ 39,186,149	\$ (1,320,066)	\$ (3,500)	\$ 37,862,583

* - Certain reclassifications were made to 2015 additions which changed two categories to properly reflect the status of ongoing projects. There was no effect on net position.

Southwest Licking Community Water and Sewer District
Licking County, Ohio
Notes to the Basic Financial Statements - Continued
For the Years Ended December 31, 2016 and 2015

NOTE F – CAPITAL ASSETS (Continued)

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	731,442	-	734,942
Total Capital Assets, Not Being Depreciated	1,260,667	731,442	-	1,992,109
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	95,374,907	222,968	-	95,597,875
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	321,669	(47,225)	101,991,018
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	(2,269,790)	-	37,194,040
Total Capital Assets	\$ 40,724,497	\$ (1,538,348)	\$ -	\$ 39,186,149

* - Certain reclassifications were made to 2015 additions to properly reflect the status of ongoing projects. There was no effect on net position.

NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE

Account receivable balances at December 31, 2016 and 2015 for operating billings are as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 812,643	\$ 823,411
Over 30 days	61,224	33,303
Over 60 days	24,550	20,428
Over 90 days	111,162	108,986
Gross Receivables	1,009,579	986,128
Less: Allowance for Doubtful Accounts	(150,000)	(150,000)
Net Accounts Receivable	<u>\$ 859,579</u>	<u>\$ 836,128</u>

Southwest Licking Community Water and Sewer District
Licking County, Ohio
Notes to the Basic Financial Statements - Continued
For the Years Ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and December 31, 2015 are \$11,130,453 and \$11,962,736, 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.

Southwest Licking Community Water and Sewer District
Licking County, Ohio
Notes to the Basic Financial Statements - Continued
For the Years Ended December 31, 2016 and 2015

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, 2016 and 2015 are summarized below:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Amount Due Within One Year
O.W.D.A	\$ 35,598,840	\$ 575,854	\$ 4,713,436	\$ 31,461,258	\$ 4,999,361
O.P.W.C	2,475,603	-	166,647	2,308,956	142,974
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Net Pension Liability	899,759	400,028	-	1,299,787	-
Compensated Absences	143,031	14,217	28,661	128,587	14,444
	<u>\$ 39,690,009</u>	<u>\$ 990,099</u>	<u>\$ 4,908,744</u>	<u>\$ 35,771,364</u>	<u>\$ 5,156,779</u>

	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	-
	879,437	20,322	-	899,759	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Compensated Absences	138,409	99,177	94,555	143,031	22,300
	<u>\$ 43,326,756</u>	<u>\$ 575,873</u>	<u>\$ 4,212,620</u>	<u>\$ 39,690,009</u>	<u>\$ 4,885,009</u>

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest rate to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy in 2016 which was treated as both a non-operating revenue (Intergovernmental Revenue) and a non-operating expense (Interest Expense) in the accompanying financial statements. The District will receive an estimated \$1,898,621 of additional interest subsidies through 2034 in the following amounts annually:

2017	\$516,162
2018	406,964
2019	299,228
2020	204,358
2021	142,218
2022	91,879
2023	70,272
2024	50,092
2025	37,015
2026	23,327
2027	16,578
2028	12,097
2029	8,167
2030	6,797
2031	5,490
2032	4,119
2033	2,682
2034	1,176
Total	<u>\$1,898,621</u>

Southwest Licking Community Water and Sewer District
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

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.	\$ 188,113	\$ 97,419
1866	O.W.D.A.	6.24	1/1/1994	25 yrs.	17,765	9,145
1867	O.W.D.A.	7.45	1/1/1994	25 yrs.	211,036	109,227
1868	O.W.D.A.	6.61	1/1/1994	25 yrs.	33,204	17,123
1869	O.W.D.A.	6.61	1/1/1995	25 yrs.	341,082	551,144
2005	O.W.D.A.	5.90	7/1/1996	25 yrs.	94,628	318,719
2093	O.W.D.A.	6.87	7/1/1997	25 yrs.	273,473	1,295,125
2094	O.W.D.A.	6.87	7/1/1997	25 yrs.	284,566	1,347,661
2095	O.W.D.A.	6.36	1/1/1998	25 yrs.	85,837	458,140
2096	O.W.D.A.	6.36	1/1/1998	25 yrs.	42,958	229,282
2099	O.W.D.A.	6.32	7/1/1999	25 yrs.	39,167	292,820
2101	O.W.D.A.	6.11	7/1/1999	25 yrs.	85,253	632,759
2103	O.W.D.A.	6.11	7/1/1999	25 yrs.	62,123	461,086
2174	O.W.D.A.	5.77	1/1/2002	25 yrs.	36,512	410,547
2930	O.W.D.A.	5.90	7/1/1996	25 yrs.	51,874	174,715
2956	O.W.D.A.	6.64	1/1/1997	25 yrs.	11,603	46,905
2957	O.W.D.A.	6.64	1/1/1997	25 yrs.	38,085	153,955
2969	O.W.D.A.	6.72	1/1/1997	25 yrs.	69,843	282,796
2970	O.W.D.A.	6.72	1/1/1997	25 yrs.	271,544	1,099,574
2971	O.W.D.A.	6.36	1/1/1997	25 yrs.	25,112	100,905
3019	O.W.D.A.	6.85	1/1/1995	25 yrs.	313,035	507,307
3020	O.W.D.A.	6.02	1/1/1995	25 yrs.	23,604	37,912
3021	O.W.D.A.	5.77	1/1/1995	25 yrs.	14,769	23,656
3025	O.W.D.A.	6.75	7/1/1995	25 yrs.	241,674	533,369
3039	O.W.D.A.	6.51	7/1/1995	25 yrs.	96,359	211,973
3040	O.W.D.A.	5.77	7/1/1996	25 yrs.	15,065	50,619
3041	O.W.D.A.	6.51	7/1/1995	25 yrs.	131,551	289,391
3043	O.W.D.A.	6.24	7/1/1995	25 yrs.	197,023	431,619
3048	O.W.D.A.	6.24	7/1/1995	25 yrs.	4,953	10,850
3053	O.W.D.A.	6.16	7/1/1995	25 yrs.	8,225	18,001
3054	O.W.D.A.	6.16	7/1/1995	25 yrs.	27,525	60,241
3055	O.W.D.A.	6.16	7/1/1995	25 yrs.	82,266	180,045
3063	O.W.D.A.	6.16	1/1/1996	25 yrs.	63,891	176,906
3064	O.W.D.A.	6.16	1/1/1996	25 yrs.	11,709	32,420
3079	O.W.D.A.	6.02	1/1/1996	25 yrs.	159,822	441,595
3080	O.W.D.A.	6.02	1/1/1996	25 yrs.	77,699	214,654
Subtotal					\$ 3,732,948	\$ 11,309,605

Southwest Licking Community Water and Sewer District
Licking County, Ohio
Notes to the Basic Financial Statements - Continued
For the Years Ended December 31, 2016 and 2015

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.	\$ 26,100	\$ 71,821
3106	O.W.D.A.	5.77	1/1/1996	25 yrs.	18,772	51,654
3279	O.W.D.A.	6.41	1/1/2002	25 yrs.	211,904	2,459,429
3682	O.W.D.A.	5.20	7/1/2004	25 yrs.	109,617	1,662,444
3683	O.W.D.A.	5.20	7/1/2004	25 yrs.	32,343	490,509
3756	O.W.D.A.	3.59	1/1/2005	20 yrs.	379,549	2,825,362
3760	O.W.D.A.	4.84	7/1/2004	15 yrs.	72,467	76,017
3912	O.W.D.A.	4.28	1/1/2005	25 yrs.	85,249	1,289,994
3944	O.W.D.A.	4.35	1/1/2005	25 yrs.	17,492	265,908
4314	O.W.D.A.	3.99	7/1/2006	25 yrs.	71,635	1,241,380
4315	O.W.D.A.	3.99	1/1/2007	25 yrs.	54,438	990,239
4316	O.W.D.A.	3.99	1/1/2007	20 yrs.	38,491	396,541
4437	O.W.D.A.	3.99	7/1/2006	25 yrs.	12,011	208,136
5008	O.W.D.A.	4.79	7/1/2010	25 yrs.	46,277	1,237,226
5009	O.W.D.A.	4.79	7/1/2010	25 yrs.	42,095	1,125,405
5392	O.W.D.A.	0.00	7/1/2010	20 yrs.	7,309	87,703
6956	O.W.D.A.	3.25	7/1/2016	5 yrs.	40,664	672,523
CQ021	O.P.W.C.	0.00	1/1/2000	20 yrs.	12,430	24,860
CQ23D	O.P.W.C.	0.00	1/1/2003	20 yrs.	17,339	95,366
CQ24E	O.P.W.C.	0.00	1/1/2005	20 yrs.	24,235	169,642
CQ06M	O.P.W.C.	0.00	7/1/2011	20 yrs.	26,457	357,171
CQ25N	O.P.W.C.	0.00	1/1/2013	20 yrs.	1,974	29,610
CQ32P	O.P.W.C.	0.00	7/1/2014	30 yrs.	46,170	1,223,511
CQ39Q	O.P.W.C.	0.00	7/1/2016	20 yrs.	14,369	265,822
Rotary		0.00		20 yrs.	-	106,351
Rotary		0.00		20 yrs.	-	175,095
Rotary		0.00		20 yrs.	-	65,495
Highland Hills Recoupmnt		9.25		Indefinite	-	225,835
Subtotal for this page					1,409,387	17,891,049
Subtotal from previous page					3,732,948	11,309,605
Total					<u>\$ 5,142,335</u>	<u>\$ 29,200,654</u>

Southwest Licking Community Water and Sewer District
Licking County, Ohio
Notes to the Basic Financial Statements - Continued
For the Years Ended December 31, 2016 and 2015

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
2017	\$ 4,958,695	\$ 1,700,006	\$ 6,658,701	\$ 142,974	\$ -	\$ 142,974
2018	5,012,249	1,396,194	6,408,443	142,974	-	142,974
2019	4,580,233	1,092,379	5,672,612	142,974	-	142,974
2020	3,275,541	817,989	4,093,530	130,544	-	130,544
2021	2,763,769	628,779	3,392,548	113,204	-	113,204
2022-2026	6,978,091	1,563,419	8,541,510	560,902	-	560,902
2027-2031	2,613,668	389,044	3,002,712	416,419	-	416,419
2032-2036	565,825	48,366	614,191	312,687	-	312,687
2037-2041	-	-	-	230,851	-	230,851
2042-2044	-	-	-	115,427	-	115,427
Total	<u>\$ 30,748,071</u>	<u>\$ 7,636,176</u>	<u>\$ 38,384,247</u>	<u>\$ 2,308,956</u>	<u>\$ -</u>	<u>\$ 2,308,956</u>

Year Ending December 30,	Total		
	Principal	Interest	Total
2017	\$ 5,101,669	\$ 1,700,006	\$ 6,801,675
2018	5,155,223	1,396,194	6,551,417
2019	4,723,207	1,092,379	5,815,586
2020	3,406,085	817,989	4,224,074
2021	2,876,973	628,779	3,505,752
2022-2026	7,538,993	1,563,419	9,102,412
2027-2031	3,030,087	389,044	3,419,131
2032-2036	878,512	48,366	926,878
2037-2041	230,851	-	230,851
2042-2044	115,427	-	115,427
Total	<u>\$ 33,057,027</u>	<u>\$ 7,636,176</u>	<u>\$ 40,693,203</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, 2016.

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 \$38,384,247 at December 31, 2016 and \$45,092,957 at December 31, 2015. For the year ended December 31, 2016 net revenue available, principal and interest paid and the coverage ratio is as follows: \$4,481,747, \$6,403,422, and 0.70, respectively. 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.

NOTE I - DEFINED BENEFIT RETIREMENT PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred. The net pension liability represents the 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
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

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

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

Southwest Licking Community Water and Sewer District
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

NOTE I – DEFINED BENEFIT RETIREMENT PLAN - Continued

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

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
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 for 2016 was \$119,139. Of this amount, \$18,754 was reported as a payroll related liability.

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, 2016 was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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>2016 OPERS</u>
Proportionate Share of the Net Pension Liability - Current Year	0.007504%
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.007460%</u>
Change in Proportionate Share Proportion of the Net Pension Liability	<u>0.000044%</u>
Pension Expense	\$1,299,787
	\$184,239

Southwest Licking Community Water and Sewer District
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -Continued

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

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

Deferred Outflows of Resources	OPERS
Differences between projected and actual investment earnings	\$382,057
Changes in proportion	3,484
District contributions subsequent to the measurement date	119,139
Total	\$504,680
Deferred Inflows of Resources	OPERS
Differences between expected and actual economic experience	(\$25,115)
Total	(\$25,115)

\$119,139 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS
2017	\$85,167
2018	91,276
2019	97,524
2020	86,459
Total	\$360,426

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, 2015, 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	4.25 to 10.05 percent including wage inflation at 3.75%
COLA or Ad Hoc COLA	Pre January 7, 2013: 3.00% simple Post January 7, 2013: 3.00% simple through 2018, then 2.80% simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Southwest Licking Community Water and Sewer District
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -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 401 (b) Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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

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

NOTE I – DEFINED BENEFIT RETIREMENT PLAN -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	\$2,070,879	\$1,299,787	\$649,396

NOTE J - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- 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.

- B. OPERS maintained two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the OPERS CAFR referenced below for additional information.

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

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

Southwest Licking Community Water and Sewer District
Licking County, Ohio
Notes to the Basic Financial Statements - Continued
For the Years Ended December 31, 2016 and 2015

NOTE J - POSTEMPLOYMENT BENEFITS - Continued

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

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

Substantially all of the District’s contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$19,863, \$18,989, and \$18,195, respectively. The full amount has been contributed for 2016, 2015 and 2014.

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, 2016 and 2015 the SWLCWSD contracted for the following insurance coverage:

Property	\$26,968,950
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.

Southwest Licking Community Water and Sewer District
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

NOTE L - RELATED PARTY TRANSACTIONS

No related party transactions existed at December 31, 2016 and 2015.

NOTE M - CONTINGENT LIABILITIES

During the years ended December 31, 2016 and 2015 SWLCWSD was involved in litigation; however, management does not believe that the effect, if any, on the financial statements would be material.

NOTE N - DEBT SERVICE FEE

The SWLCWSD has a debt service fee to assist in meeting debt service requirement which was \$11.95 per month per sewer customer during both 2016 and 2015. The proceeds of the fee are restricted to the payment of sewer debt service. During 2016 and 2015 the SWLCWSD collected \$1,048,116 and \$1,027,420 in debt service fees and expended more than \$4.0 million in 2016 and \$3.7 million in 2015 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:

	2016	2015
OWDA- Water	\$ 743,842	\$ 851,569
OWDA- Sewer	1,239,337	1,482,338
Total interest expense	\$ 1,983,179	\$ 2,333,907

NOTE R – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District’s fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

Southwest Licking Community Water and Sewer District
 Licking County, Ohio
 Notes to the Basic Financial Statements - Continued
 For the Years Ended December 31, 2016 and 2015

NOTE R – CHANGES IN ACCOUNTING PRINCIPLES - Continued

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

NOTE S – CONTRACTUAL COMMITMENTS

2016 Commitments

<u>Name of Vendor</u>	<u>Description of Project</u>	<u>Contract Amount</u>	<u>Expended as of 12/31/16</u>	<u>Remaining Balance</u>
URS Corp. Design	Engineering services for New Water Treatment Center	\$600,000	\$546,000	\$54,000
CDM Smith Inc.	Engineering services for Elevated Water Storage Tank and WaterCAD Model	\$213,270	\$175,668	\$37,602

2015 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	\$213,270	\$73,494	\$139,776

NOTE T – SUBSEQUENT EVENTS

The District has requested and received bids for several projects including a new 3.0 million gallons per day water treatment facility and an elevated storage tank. The bids were received on April 19, 2017 and the award dates are anticipated to be in early June of 2017. The District is in the process of obtaining financing for these projects through the Ohio Water Development Authority. The estimated cost for these projects is projected at almost \$14 million for the water treatment facility and almost \$2.7 million for the elevated storage tank. The approval for the loans is anticipated to occur in late May of 2017.

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 Three Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 91,534,580,978	\$ 89,017,348,266	\$ 86,407,229,435
Plan net position	<u>74,213,320,352</u>	<u>76,956,230,642</u>	<u>74,618,532,269</u>
Net pension liability	17,321,260,626	12,061,117,624	11,788,697,166
District's proportion of the net pension liability	0.007504%	0.007460%	0.007460%
District's proportionate share of the net pension liability	\$ 1,299,787	\$ 899,759	\$ 879,437
District's covered-employee payroll	\$ 992,825	\$ 949,142	\$ 914,567
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.90%	94.80%	96.20%
Plan fiduciary net position as a percentage of the total pension liability	81.10%	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>2016</u>	<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>
Contractually required contribution	\$ 119,139	\$ 113,897	\$ 109,748	\$ 110,533	\$ 97,602	\$ 139,928	\$ 190,915	\$ 152,008	\$ 130,610	\$ 130,505
Contributions in relation to the contractually required contribution	<u>(119,139)</u>	<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>
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	\$ 992,825	\$ 949,142	\$ 914,567	\$ 850,254	\$ 976,020	\$ 1,399,280	\$ 2,181,886	\$ 1,961,394	\$ 1,865,857	\$ 1,562,934
Contributions as a percentage of covered employee payroll	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.75%	7.75%	7.00%	8.35%

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Service revenues	\$ 2,533,514	\$ 2,487,414
Late charges	80,736	87,472
TOTAL OPERATING REVENUES	<u>2,614,250</u>	<u>2,574,886</u>
OPERATING EXPENSES		
Salaries	152,276	169,519
Training	526	85
Medicare tax expense	3,793	2,095
P.E.R.S. expense	31,489	18,307
Workers compensation	3,155	1,599
Operations and testing	8,074	9,080
Chemicals and operating supplies	226,949	228,003
Equipment rental	1,661	533
Repairs and maintenance	188,812	148,316
Insurance:		
Health	61,484	44,604
Telephone	3,285	4,018
Utilities	152,645	138,869
Office supplies	1,458	1,728
Uniform rental	313	549
Small tools	1,932	-
Dues and subscriptions	75	-
Licenses	9,525	9,522
Security	51	51
Depreciation	752,911	757,085
TOTAL OPERATING EXPENSES	<u>\$ 1,600,414</u>	<u>\$ 1,533,963</u>
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS		
Capital contributions - special assessments	6,812	10,606
Capital contributions - intergovernmental	65,459	-
Capital contributions - developers	47,500	-
Gain on sale of capital assets	504	-
Inspection revenue	160	1,200
Tap fee income	398,999	848,828
Capacity revenue	55,600	47,260
Interest income	187,142	204,502
Intergovernmental revenue	373,310	-
Interest expense	(743,842)	(851,569)
Miscellaneous income	39,529	32,687
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	<u>\$ 431,173</u>	<u>\$ 293,514</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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Service revenues	\$ 4,684,091	\$ 4,554,373
Late charges	192,322	197,011
TOTAL OPERATING REVENUES	4,876,413	4,751,384
OPERATING EXPENSES		
Salaries	173,819	167,434
Training	330	2,141
Medicare tax expense	2,262	2,738
P.E.R.S. expense	31,231	25,689
Workers compensation	1,882	2,270
Operations and testing	16,274	19,967
Chemicals and operating supplies	13,301	16,867
Equipment rental	543	533
Repairs and maintenance	83,314	78,484
Biosolids Processing	46,756	56,528
Insurance:		
Health	32,071	24,461
Telephone	3,745	3,006
Utilities	183,633	188,423
Refuse	2,298	2,171
Office supplies	1,093	1,217
Uniform rental	150	541
Small tools	520	332
Dues and subscriptions	184	61
Licenses	6,191	6,061
Security	51	51
Depreciation	765,438	829,674
TOTAL OPERATING EXPENSES	\$ 1,365,086	\$ 1,428,649
NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS		
Debt service fee income	1,048,116	1,027,420
Capital contributions - special assessments	15,907	11,221
Capital contributions - intergovernmental	55,761	-
Capital contributions - developers	47,500	-
Inspection revenue	480	1,715
Tap fee income	559,794	609,597
Capacity fee revenue	55,600	19,460
Interest income	251,485	260,674
Intergovernmental	606,880	6,512
Interest expense	(1,239,337)	(1,482,338)
Miscellaneous income	25,080	15,669
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	\$ 1,427,266	\$ 469,930

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES		
Salaries	\$ 116,150	\$ 129,824
Training	-	35
Medicare tax expense	4,964	1,606
P.E.R.S. expense	31,447	13,495
Workers compensation	4,129	1,183
Chemicals and operating supplies	6,342	6,567
Equipment rental	543	2,079
Repairs and maintenance	198,795	203,513
Insurance:		
Health	5,929	6,964
Telephone	1,951	1,766
Utilities	90,420	76,875
Office supplies	490	1,056
Uniform rental	-	234
Small Tools	120	-
Licenses	90	35
Security	51	51
Depreciation	1,026,760	981,628
TOTAL OPERATING EXPENSES	<u>\$ 1,488,181</u>	<u>\$ 1,426,911</u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES		
Salaries	\$ 395,600	\$ 381,956
Training	2,381	-
Medicare tax expense	1,956	5,585
P.E.R.S. expense	57,386	46,273
Workers compensation	1,627	4,098
Operating & testing	-	115
Refuse	1,486	1,425
Equipment rental	3,201	4,060
Repairs and maintenance	18,176	10,653
Engineering	35,248	13,082
Legal	109,036	128,973
Accounting	12,600	-
Audit fees	12,813	-
Advertising and communications	1,078	804
Insurance:		
General	47,651	47,395
Health	83,275	84,059
Life	1,092	1,627
Telephone	7,819	7,061
Office supplies	16,415	17,352
Uniform rental	485	372
Postage	48,387	40,599
Security	240	240
Vehicle expense	4,267	6,990
Collection and bank fees	30	46
Dues and subscriptions	4,342	1,651
Licenses	11,755	20,812
Depreciation	10,984	13,338
Amortization	-	7,694
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	<u><u>\$ 889,330</u></u>	<u><u>\$ 846,260</u></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, 2016 and 2015

	2016	2015
OPERATING EXPENSES		
Salaries	\$ 133,801	\$ 112,433
Medicare tax expense	1,877	1,363
P.E.R.S. expense	25,657	13,094
Workers compensation	1,562	1,003
Chemicals and operating supplies	5,709	6,418
Equipment Rental	543	800
Repairs and maintenance	11,364	3,802
Insurance:		
Health	34,333	29,240
Telephone	2,865	2,252
Office supplies	529	690
Uniform rental	1,530	1,020
Security	51	51
Small tools	2,000	-
General manager discretionary	177	118
Depreciation	7,565	9,734
	\$ 229,563	\$ 182,018
NON-OPERATING REVENUES		
Miscellaneous Income	-	-
TOTAL NON-OPERATING REVENUES	\$ -	\$ -

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