

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

AUDIT REPORT

For the years ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Board of Trustees
Atwood Water and Sewer District
PO Box 100
Dellroy, OH 44620

We have reviewed the *Independent Auditor's Report* of the Atwood Water and Sewer District, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 9, 2016

This page intentionally left blank.

Atwood Regional Water and Sewer District
TUSCARAWAS COUNTY, OHIO
AUDIT REPORT
For the Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	1-2
Schedule of Findings.....	3
Schedule of Prior Audit Findings.....	4

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Atwood Regional Water and Sewer District
Tuscarawas County
PO Box 100
Dellroy, Ohio 44620

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Atwood Regional Water and Sewer District, Tuscarawas County, (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

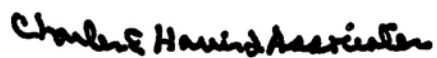
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
September 30, 2016

ATWOOD REGIONAL WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY
Schedule of Findings
December 31, 2015 and 2014

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

Finding Number 2015-001 - Material Weakness

Our testing revealed several instances where errors were made in posting and reporting of various transactions and implementing Governmental Accounting Standards Board statements. The more significant issues included the following:

- During 2015, the District did not implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* or GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No.68*. These statements created Net Pension Liability, Deferred Inflows and Outflows for pensions and changed the footnote disclosures for pensions.
- During 2015 and 2014, the District did not properly account for the disposal of several capital assets.
- During 2015, the District understated the principal balance of a loan, due to the failure to account for capitalized interest.

The accompanying financial statements and the District's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the District adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board statements and the Auditor of State guidance to aid in properly reporting financial statement activity.

Management's Response:

We did not receive a response from management regarding this finding.

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
TUSCARAWAS, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2015 and 2014**

The prior audit report, for the years ending December 31, 2013 and 2012, reported no material citations or recommendations.

ATWOOD REGIONAL WATER AND SEWER DISTRICT

Carroll and Tuscarawas Counties, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROPRIETARY ENTERPRISE - OPERATING FUND
For the Year Ended December 31, 2015



ARWSD

Prepared by:

Larry Lloyd
Superintendent

Vicki Winkler
Secretary-Treasurer

This page intentionally left blank

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio

Comprehensive Annual Financial Report
For the Year Ending December 31, 2015

TABLE OF
CONTENTS

	Page
Table of Contents	I
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organization Chart	6
Administrative Personnel	7
FINANCIAL SECTION	
Independent Accountant's Report	10
Management Discussion and Analysis	12
Statement of Net Position Proprietary Enterprise Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Enterprise Fund	20
Cash Flow Statement Proprietary Enterprise Fund	21
Notes to the Financial Statements	22
Required Supplementary Information	41
STATISTICAL SECTION	
Demographic Summary	46
Principal Customer Schedule	47
Ten Year Net Position & User Equivalent History	48
Ten Year Long Term Debt History	49
Ten Year Changes in Net Position History	50
Ten Year Demand for Services and Operations Activity Summary	51

This page intentionally left blank

Introductory

Section

This page intentionally left blank

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
PO BOX 100, DELLROY OH 44620
330-343-2113**

September 30, 2016

To: Members of the Board of Trustees
Citizens of the District

The Comprehensive Annual Financial Report of the Atwood Regional Water and Sewer District for the year ended December 31, 2015 is presented in compliance with statutory requirements of the Ohio Revised Code. Charles Harris and Associates performed a biennial audit for the fiscal years 2014 and 2015. The completed audit report is filed in the District's office and available for public examination. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Atwood Regional Water and Sewer District. All disclosures necessary to enable the reader to gain an understanding of the Atwood Regional Water and Sewer District's activities have been included.

The financial reporting entity includes all accounts of the primary government: i.e., the Atwood Regional Water and Sewer District. The District has no component units. The District is an independent special purpose political subdivision which provides water and sewer services for property owners and residents within and without the District boundaries.

Government Structure, Local Economic Condition and Outlook

In 2015, the District celebrated its forty fifth anniversary. Established in 1970, the District is located in the eastern portion of Warren Township in Tuscarawas County, the western portions of Monroe and Orange Townships, and southern parts of Harrison and Rose Townships in Carroll County, Ohio. The District currently has a combined land area of 22 square miles and serves an average population of 3,550 persons. Its primary duty is to abate pollution of the waters of the state within the District's territory. The District receives its revenues only from fees for services and receives no tax revenues. Fifty commercial entities (4%) of the 1,254 active accounts provide thirty five percent of the District's user charge revenues.

Government Structure, Local Economic Condition and Outlook: (Continued)

An appointed board of eight trustees governs the District. Trustees have a fiduciary duty to act in the interests of the beneficiaries of the District's water resource projects. The Board employs a Superintendent and Secretary-Treasurer with other staff members. Policy and legislative authority is vested in the Board of Trustees pursuant to Chapter 6119 of the Ohio Revised Code. The board is responsible, among other things, for adopting rules and regulations, adopting a budget and financial plan, hiring the District's Superintendent, and employing legal counsel, engineering services, and other consultants. The Superintendent is responsible for the operation and maintenance of the District's facilities; administration of the District's rules, regulations, and policies; together with hiring and supervision of District employees. The Secretary-Treasurer is responsible for office administration, fiscal matters, customer accounts and official records management. Board members are appointed by user entities established in the District's organizational scheme. Board members serve for staggered three year terms.

The District struggles with a recessionary economic environment and continued unemployment. The region consists of recreation focused residential communities around Atwood Lake, together with the Villages of Dellroy, Sherrodsville and New Cumberland. The rural community engages in hospitality and agricultural enterprises. The community is closely associated with Dover-New Philadelphia, Carrollton, and Canton employment and shopping facilities. The Muskingum Watershed Conservancy District (MWCD) together with the United States Army Corps of Engineers provides for recreation and flood control activities in the area.

The District and surrounding counties have suffered from the recent economic recession across all principal industries. Further, business and employment opportunities have again slowed in response to the sharp reduction in oil and gas exploration and development.

Initiatives for 2015

In response to increasing phone credit and debit card payments, the District planned a new website launch in January 2016. Customers may pay on-line 24/7 with either a debit or credit card. No new services were established during 2015 for the first time in over 35 years. Several new services are planned for early 2016.

The District financed and commenced construction of a new 1 million gallon flow equalization basin together with a new screening system to remove grit and plastics from the wastewater stream. In addition, the District plans to replace its heavy equipment and service vehicles.

The District also acquired a small storage garage for staging supplies and parts for system repairs. The storage location is adjacent to pump station 7 on Washington St. The District also initiated a computerized maintenance management system to help document maintenance and repair operations. Two senior wastewater technicians were hired to bring the District's staff to full strength in January 2015.

Initiatives for 2014

The District initiated new payment procedures in 2014. Credit and debit card payments are taken over the phone. Customers may also set up recurring debit/credit card payments which are made on a specified date each month. The late payment penalty was revised to apply to entire unpaid balance. Also a remote deposit procedure was established to process regular check payments.

The District purchased a van trailer for safety equipment and materials needed for repair and replacement to sewer system. The phone system was upgraded in March. The impellers were replaced on several large sewage pumps. The District installed a wash water receiving station at the wastewater treatment plant to provide disposal for bridge wash water and hydrostatic test water. Three residential services were also installed during the year.

The unemployment claim in 2013 was finally resolved in the Districts' favor. A senior staff member medically retired in September 2014. At the end of the year, an experienced wastewater operator was scheduled to begin in January 2015.

A sludge disposal site adjacent to the wastewater treatment plant was investigated and recommended to the Board of Trustees. In December, the Board of Trustees authorized a head-works improvement project which includes a one million gallon flow equalization basin and grit removal system.

Management Discussion and Analysis:

A special feature of this report is a separate management discussion and analysis which follows the Independent Auditor's Report. The Government Accounting Standards Board adopted the requirement for a management discussion and analysis to improve the report's utility. The discussion offers insights into the financial statements which may not be apparent from the statements alone.

Financial Information:

The District's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Financial Information: (continued)

As a recipient of previous federal and state financial assistance, the District is also responsible for maintaining an adequate internal control structure to obtain compliance with applicable laws and regulations relating to those programs. The management periodically evaluates the control structure. Further, the District provides specialized controls for budget and financial planning. Both annual and project length budgets are prepared for capital improvements. The legal budgetary control is at object level. Encumbrances are used only for large purchases that require several months or contain unusual conditions. The budget operates as a financial plan and is reviewed by the Board each month. Encumbered amounts lapse at the end of the fiscal year however; any outstanding encumbrances are re-appropriated in the next year's budget.

This report is based upon the Comprehensive Annual Financial Report (CAFR) requirements as established by the Governmental Accounting Standards Board. Charles Harris and Associates Inc. will perform a biennial audit for fiscal years 2015 and 2014. This audit approach includes substantive testing for each fiscal year. A biennial audit is authorized by the Ohio statutes and regulations governing audits of local Ohio governments. The previous biennial audit was performed by Charles Harris and Associates Inc. for fiscal years 2013 and 2012.

The statistical section of this report presents data regarding the operation of the wastewater treatment facility. The data show the annual flow, annual removal of pollutants and detailed activity for 2014. Ten year revenue and expenditure trend data are presented together with other relevant statistical information.

Awards:

The Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting was presented to the Atwood Regional Water and Sewer District for its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2013.

Ohio Auditor of State Award was presented to the Atwood Regional Water and Sewer District for exemplary financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) for the year 2013.


Acknowledgments:

The diligent, patient, and dedicated efforts of the administrative staff contributed very significantly to the preparation of this report and are greatly appreciated.

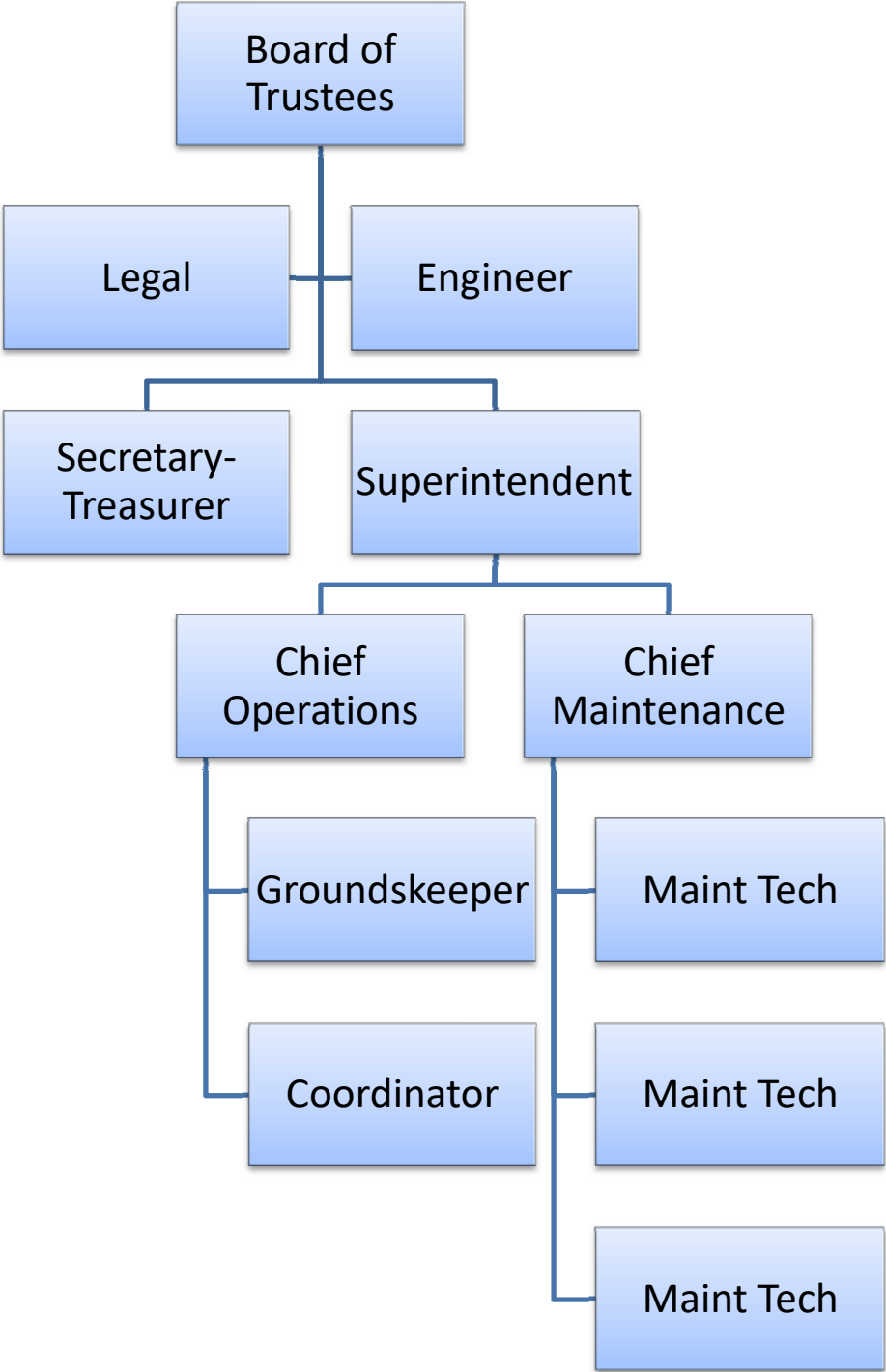
Sincerely,

Atwood Regional Water and Sewer District


Larry Lloyd
Superintendent


Vicki Winkler
Secretary-Treasurer

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Organizational Chart



ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 ADMINISTRATIVE PERSONNEL
 as of December 31, 2015

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
Gary Sterrett	President	1/1/14 to 1/1/17	[A]	\$200,000	Covers term
Joe Mabie	Vice-President	7/10/15 to 7/10/18	[A]	\$200,000	Covers term
Chris Stefanov	Trustee	2/19/14 to 2/19/17	N/A	N/A	N/A
John Boynton	Trustee	7/15/14 to 7/15/17	N/A	N/A	N/A
Jim Bellino	Trustee	8/21/13 to 8/21/16	N/A	N/A	N/A
David Parham	Trustee	11/20/14 to 11/20/17	N/A	N/A	N/A
Susan Hawkins	Trustee	8/20/13 to 8/20/16	N/A	N/A	N/A
Open	Trustee				
Larry Lloyd	Superintendent	Indefinite	[A]	\$200,000	Covers term
Vicki Winkler	Secretary-Treas	Indefinite	[B]	\$50,000	Covers term
Legal Counsel					
Brad Zimmerman	Chief Counsel	Indefinite	N/A	N/A	N/A

[A] EMC Insurance Companies Surety coverage for all employees except Treasurer \$200,000 aggregate.

[B] Ohio Farmers Insurance Company statutory Treasurer's Bond \$50,000.

Staff:

Full Time:

Mike Chitti Chief Operations/Training
 Jerry Bowser Sr. Operator/Lead Technician
 Sam Otte Sr. Operator/Technician
 Tom Slutz Technician

Part Time:

Grounds Maint. Open
 Coordinator: Open

This page intentionally left blank

Financial

Section

This page intentionally left blank

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Atwood Regional Water and Sewer District
Tuscarawas County
PO Box 100
Dellroy, Ohio 44620

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Atwood Regional Water and Sewer District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Atwood Regional Water and Sewer District, Tuscarawas County, Ohio as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No.68*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

September 30, 2016

This page intentionally left blank

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

MANAGEMENT DISCUSSION AND ANALYSIS:

Overview of the Financial Statements

The basic financial statements present the Statement of Net Position, Statement of Income, Expenses and Changes in Fund Net Position, and Cash Flow Statement for the period. The three financial statements are presented with prior year comparative data.

The Statement of Net Position is a point-in-time snapshot of account balances at the end of the fiscal year. It reports assets available for working capital and to pay for any current liabilities owed as of the statement date.

The Statement of Income, Expenses and Changes in Fund Net Position are used to report the flow of economic resources which emphasizes the determination of net income. All revenues earned and all expenses incurred are reported in this statement.

Condensed Financial Data	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital Assets	\$6,781,059	\$6,849,989	\$7,179,427
Other Assets	710,136	480,187	419,501
Deferred Pension Outflows & Net Pension Asset	<u>56,428</u>	<u>0</u>	<u>0</u>
Total Assets	7,547,623	7,330,176	7,598,928
Long Term Liabilities	2,137,163	1,934,658	2,109,757
Deferred Pension Inflows & Net Pension Liability	290,414	0	0
Other Liabilities	<u>22,321</u>	<u>19,810</u>	<u>22,891</u>
Total Liabilities & Deferred Inflows of Resources	2,449,898	1,954,468	2,132,648
Net Investment in Capital Assets	4,671,903	4,935,414	5,088,305
Unrestricted Net Position	<u>425,822</u>	<u>440,294</u>	<u>372,975</u>
Total Net Position	<u>5,097,725</u>	<u>5,375,708</u>	<u>5,461,280</u>
Operating Revenue	1,115,701	1,058,026	1,024,739
Non-Operating Revenue	<u>3,946</u>	<u>6,913</u>	<u>1,567</u>
Total Revenues	1,119,648	1,064,939	1,026,306
Operating Expenses	1,096,720	1,096,691	1,145,735
Non-Operating Expenses	<u>57,766</u>	<u>53,820</u>	<u>65,771</u>
Total Expenses	1,154,486	1,150,511	1,211,506
Change in Net Position	(34,839)	(85,572)	(185,200)
Restatement of Net Pension Liability	<u>(243,144)</u>	<u>0</u>	<u>0</u>
Ending Net Position	<u>\$5,097,725</u>	<u>\$5,375,708</u>	<u>\$5,461,280</u>

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

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 asset/liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension system and state law governing those system requires additional explanation in order to properly understand the information presented in these statements.

Under GASB 68, the net pension asset/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 employee's 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 District, part of a bargained for benefit to employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

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 asset/liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the District is reporting net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. The implementation had the effect of restate net position at December 31, 2014 from \$5,375,708 to \$5,132,564.

Analysis for 2015 Operations Activity:

The District operates a tertiary wastewater treatment plant and maintains a collection system of some 35 miles of sewers with 20 primary lift stations and 115 smaller grinder pump stations. The facilities operate 24 hours per day throughout the year. The operating environment is hazardous with exposures to heavy electrical power service of 480 volts and up, oxygen deficient confined space, infectious disease vectors, explosive gas environments, and similar industrial exposures. The staff is on standby duty for emergency services after normal work hours and on weekends and holidays. Typical emergency conditions consist of storm events, power outages, and equipment failures. Pump stations are equipped with alarm lights and several stations have auto-dialers for alarm conditions.

The District is responsible for meeting the requirements of its National Pollutant Discharge Elimination System (NPDES) permit which allows a maximum discharge of eight parts per million for suspended solids, seven parts per million for biochemical oxygen demand, and one and one half parts per million of ammonia. These limits represent removal in excess of 96 percent of the pollutants in the wastewater received at the plant. Achievement of these requirements together with associated regulations regarding disposal of bio-solids, plant management, and construction, drive the economic and business activity of the District.

During the year, the District treated 148.06 million gallons of wastewater and removed a substantial amount of pollutants as shown on the operations summary at the end of this report. For 2015, the wastewater flow increased due to higher than normal rainfall and flow meter issues. Maintenance activity included repairing grinder pumps and lift station pumps. A new maintenance program for recording the District's maintenance efforts and costs was implemented. A replacement plan for heavy equipment and vehicles was also established to begin next year.

The District's charges for services for 2015 increased \$57,675 from \$1,058,026 in 2014 to \$1,115,701 in 2015. Investment income remained about the same from 2014 to 2015. Operating expenses remained about the same from 2014 to 2015.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

Analysis for 2015 Operations Activity: (Continued)

The District funds its operations through a user's charge which recovers the costs for operation, maintenance, repair, replacement and debt service. Section 604 of the District's Wastewater Discharge Regulation requires the Board of Trustees to annually review the system of users charges and periodically revise them to generate sufficient revenues to recover costs of all treatment works operation, maintenance, and such other expenditures as may be authorized.

The residential users charge is based upon access to the District's facilities rather than volume of discharge. Therefore the residential rate is the same each month. For 2015, the residential users charge remained at \$46.00 per month together with all other rate classes.

For comparison, the Ohio EPA conducts an annual survey of 784 water and sewer utilities in Ohio each year. The most recent data shows an average residential annual sewer rate in Ohio for 2014 was \$626.00 compared to the District's 2014 residential rate of \$516.00. Also, the average residential user in the District discharges about 150 to 200 gallons of wastewater per day into the system. The sewage weighs between 1,250 and 1,650 pounds and a home owner would need some 30 to 40 five gallon buckets to haul it each day. Most of the wastewater is pumped 5 miles and some over 10 miles to the treatment plant. The treatment plant then removes over 96 percent of the pollutants and disinfects the water prior to discharging it into the Conotton Creek. The residual organic solids are further treated and ultimately added to cropland as soil conditioner. The customer currently pays \$1.51 per day for this service; less than one cent per gallon or less than the cost of one cup of coffee.

A review of economic inflationary pressure on the District's users charge rates show that the original \$14.00 rate established in 1979 requires a \$45.71 users charge to produce the same purchasing power at the end of 2015. The \$23.00 monthly users charge in 1987 requires a rate of \$47.99 to achieve parity at the end of 2014. Further, the District deals with commercial and industrial inflation as compared to the consumer inflation frequently reported. Thus, regular increases in health insurance and other labor costs, together with increases for industrial parts, tools and equipment set the need for rate changes.

In 1976, the District established a connection fee to recover the costs related to adding a new sewer service to the system. The standard residential connection fee for the District remained at \$1,700 for 2015. While connection charges may be changed anytime, the Board includes the connection fee in its annual review in September and normally implements any necessary changes in December. An impact fee is established to recover the cost of adding sewer facilities.

The District's overall financial position on December 31, 2015 was higher than December 31, 2014 due to lower personnel costs and higher accounts payable. The 2015 actual operating expenses were slightly higher than the previous year and operating revenues were somewhat higher. Depreciation is not fully funded in the budget which creates an operating loss for the year.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

Analysis for 2014 Operations Activity:

The District operates a tertiary wastewater treatment plant and maintains a collection system of some 35 miles of sewers with 20 primary lift stations and 115 smaller grinder pump stations. The facilities operate 24 hours per day throughout the year. The operating environment is hazardous with exposures to heavy electrical power service of 480 volts and up, oxygen deficient confined space, infectious disease vectors, explosive gas environments, and similar industrial exposures. The staff is on standby duty for emergency services after normal work hours and on weekends and holidays. Typical emergency conditions consist of storm events, power outages, and equipment failures. Pump stations are equipped with alarm lights and several stations have auto-dialers for alarm conditions.

The District is responsible for meeting the requirements of its National Pollutant Discharge Elimination System (NPDES) permit which allows a maximum discharge of eight parts per million for suspended solids, seven parts per million for biochemical oxygen demand, and one and one half parts per million of ammonia. These limits represent removal in excess of 96 percent of the pollutants in the wastewater received at the plant. Achievement of these requirements together with associated regulations regarding disposal of bio-solids, plant management, and construction, drive the economic and business activity of the District.

During the year, the District treated 83.22 million gallons of wastewater and removed a substantial amount of pollutants as shown on the operations summary at the end of this report. For 2014, the wastewater flow decreased 17% due to drier weather. Maintenance activity included purchasing a used van trailer for safety equipment and materials needed for repair and replacement to sewer system. The phone system was upgraded in March. The impellers were replaced on several large sewage pumps. The District installed a wash water receiving station at the wastewater treatment plant to provide disposal for bridge wash water and hydrostatic test water. Three residential services were also installed during the year. Customer service improvements included addition of credit/debit card payment system and a remote bank deposit procedure.

The District's charges for services for 2014 increased \$33,287 from \$1,024,739 in 2013 to \$1,058,026 in 2014. Investment income remained about the same from 2013 to 2014. Operating expenses decreased \$43,352 from \$1,140,043 in 2013 to \$1,096,691 in 2014. The net loss for the year is due mainly to unfunded depreciation.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

Analysis for 2014 Operations Activity: (Continued)

The District funds its operations through a user's charge which recovers the costs for operation, maintenance, repair, replacement and debt service. Section 604 of the District's Wastewater Discharge Regulation requires the Board of Trustees to annually review the system of users charges and periodically revise them to generate sufficient revenues to recover costs of all treatment works operation, maintenance, and such other expenditures as may be authorized.

The residential users charge is based upon access to the District's facilities rather than volume of discharge. Therefore the residential rate is the same each month. For 2014, the residential users charge was increased seven (7) percent in December to \$46.00 per month together with all other rate classes.

For comparison, the Ohio EPA conducts an annual survey of 784 water and sewer utilities in Ohio each year. The most recent data shows an average residential annual sewer rate in Ohio for 2013 was \$607.00 compared to the District's 2013 residential rate of \$516.00. Also, the average residential user in the District discharges about 150 to 200 gallons of wastewater per day into the system. The sewage weighs between 1,250 and 1,650 pounds and a home owner would need some 30 to 40 five gallon buckets to haul it each day. Most of the wastewater is pumped 5 miles and some over 10 miles to the treatment plant. The treatment plant then removes over 96 percent of the pollutants and disinfects the water prior to discharging it into the Conotton Creek. The residual organic solids are further treated and ultimately added to cropland as soil conditioner. The customer currently pays \$1.39 per day for this service; less than one cent per gallon or less than the cost of one cup of coffee.

A review of economic inflationary pressure on the District's users charge rates show that the original \$14.00 rate established in 1979 requires a \$45.65 users charge to produce the same purchasing power at the end of 2014. The \$23.00 monthly users charge in 1987 requires a rate of \$49.68 to achieve parity at the end of 2014. Further, the District deals with commercial and industrial inflation as compared to the consumer inflation frequently reported. Thus, regular increases in health insurance and other labor costs, together with increases for industrial parts, tools and equipment set the need for rate changes.

In 1976, the District established a connection fee to recover the costs related to adding a new sewer service to the system. The standard residential connection fee for the District remained at \$1,700 for 2014. While connection charges may be changed anytime, the Board includes the connection fee in its annual review in September and normally implements any necessary changes in December. An impact fee is established to recover the cost of adding sewer facilities. A system audit was completed in 2004 to assure that all eligible structures are connected to the sewer system and that the proper users charge is applied.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

Analysis for 2014 Operations Activity: (Continued)

The District's overall financial position on December 31, 2014 was lower than December 31, 2013. The 2014 actual operating expenses were slightly lower than the previous year while operating revenues were slightly higher. Depreciation is not fully funded in the budget which creates an operating loss for the year.

Capital Assets and Long-term Debt Activity:

The District's capital asset activity consists of construction projects and development of a replacement and rehabilitation plan for the sewage collection and pumping system. The District's debt is administered via loan agreements with Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC). The District obtained loan financing for a flow equalization basin and head-works improvement project. It also obtained financing for replacement vehicles and heavy equipment. Please refer to the notes to the basic financial statements for more information and a detailed debt schedule.

Other Potentially Significant Matters:

The District cross-claimed an appropriation matter between Marathon Oil and owners of land adjacent to the District's wastewater treatment plant.

Contacting the District's Financial Management:

This financial report is designed to provide our users, creditors, and community residents with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicki Winkler, Secretary/Treasurer at the Atwood Regional Water and Sewer District, P.O. Box 100, Dellroy, Ohio 44620.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
As of December 31, 2015 and 2014

**STATEMENT OF NET POSITION
PROPRIETARY ENTERPRISE FUND**

	2015	2014
Current Assets		
Cash and Cash Equivalents	\$ 490,083	\$ 295,767
Accounts Receivable	<u>220,053</u>	<u>184,420</u>
Total Current Assets	<u>710,136</u>	<u>480,187</u>
Noncurrent Assets		
Land	133,976	93,976
Construction in Progress	319,547	99,608
Buildings	54,812	39,000
Treatment Facilities	2,727,616	2,727,616
Infrastructures	12,630,576	12,630,576
Machinery and Equipment	513,854	541,154
Less: Accumulated Depreciation	(9,599,838)	(9,281,941)
Net Pension Asset	<u>516</u>	<u>0</u>
Net Noncurrent Assets	<u>6,781,059</u>	<u>6,849,989</u>
Total Assets	<u>7,491,195</u>	<u>7,330,176</u>
Deferred Outflows of Resources		
Deferred Pension Outflows	<u>56,428</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>56,428</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>7,547,623</u>	<u>7,330,176</u>
Liabilities and Net Position		
Current Liabilities		
Accounts Payable and Payroll Taxes	16,104	13,771
Advance Sewer Payments	6,217	6,039
Current Portion – Loan Payable	<u>108,741</u>	<u>108,899</u>
Total Current Liabilities	<u>131,062</u>	<u>128,709</u>
Noncurrent Liabilities		
Compensated Absences	28,523	20,083
Loans Payable	1,999,899	1,805,676
Net Pension Liability	<u>285,245</u>	<u>0</u>
Total Noncurrent Liabilities Payable	<u>2,313,667</u>	<u>1,825,759</u>
Deferred Inflows of Resources		
Deferred Pension Inflows	<u>5,169</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>5,169</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,449,898</u>	<u>1,954,468</u>
Net Position		
Net Investment in Capital Assets	4,671,903	4,935,414
Unrestricted Net Position	<u>425,822</u>	<u>440,294</u>
Total Net Position	<u>5,097,725</u>	<u>5,375,708</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>\$ 7,547,623</u>	<u>\$ 7,330,176</u>

The accompanying notes are an integral part of the financial statements

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY ENTERPRISE FUND**

Operating Revenue	2015	2014
Charges for Services	\$ 1,115,701	\$ 1,058,026
 Operating Expenses		
Personal Services	506,470	476,108
Contractual Services	29,279	43,303
Materials, Supplies and Equipment	57,463	74,437
Utilities	119,847	120,790
Depreciation	345,196	346,590
Other Operating Expenses	<u>38,465</u>	<u>35,463</u>
Total Operating Expenses	<u>1,096,720</u>	<u>1,096,691</u>
 Net Operating Income (Loss)	 <u>18,981</u>	 <u>(38,665)</u>
 Non-Operating Receipts (Expenses)		
Rent, Royalties and Interest on Investments	1,662	950
Interest and Fiscal Charges	(56,777)	(53,820)
Other Income	2,284	5,963
Other Non-Operating Expenses	<u>(989)</u>	<u>0</u>
Total Non-Operating Receipts (Expenses)	<u>(53,820)</u>	<u>(46,907)</u>
 Change in Net Position	 (34,839)	 (85,572)
 Beginning Net Position Jan 1st	 5,375,708	 5,461,280
Restatement of Net Pension Liability (See Note 2)	<u>(243,144)</u>	<u>0</u>
 Beginning Net Position Jan 1st After Restatement	 <u>5,132,564</u>	 <u>5,461,280</u>
 Ending Net Position Dec 31st	 <u>\$ 5,097,725</u>	 <u>\$ 5,375,708</u>

The accompanying notes are an integral part of the financial statements

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
For the Years Ended December 31, 2015 and 2014

**STATEMENT OF CASH FLOWS
PROPRIETARY ENTERPRISE FUND**

	2015	2014
Cash Flows From Operating Activities		
Payments from Customers	\$ 1,080,246	\$ 1,038,465
Payments to Suppliers for Goods and Services	(245,054)	(279,684)
Payments to/for Employees, Benefits and related Taxes	<u>(494,563)</u>	<u>(483,087)</u>
Net Cash Provided By (Used For) Operating Activities	340,629	275,694
 Cash Flows From Non-Capital Financing Activities		
Payments for non-operating services	<u>1,294</u>	<u>5,963</u>
Net Cash Provided By (Used For) Non-Capital Financing	1,294	5,963
 Cash Flows From Capital and Related Financing		
Proceeds from Capital Debt	292,158	0
Payments for Capital Acquisitions	(275,751)	(17,150)
Principal Paid on Capital Debt	(108,899)	(171,547)
Interest Paid on Capital Debt	<u>(56,777)</u>	<u>(53,820)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(149,269)	(242,517)
 Cash Flows from Investing Activities		
Payments from Interest, Royalties and Rent	<u>1,662</u>	<u>951</u>
Net Cash Provided By (Used For) Investing Activities	1,662	951
 Net Increase (Decrease) in Cash and Cash Equivalents	194,316	40,091
Cash and Cash Equivalents January 1	<u>295,767</u>	<u>255,676</u>
Cash and Cash Equivalents December 31	<u><u>490,083</u></u>	<u><u>295,767</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Net Operating Loss	18,981	(38,665)
Adjustments		
Depreciation	345,196	346,590
(Increase) Decrease in Accounts Receivable	(35,633)	(20,595)
(Increase) Decrease in Net Pension Asset and Deferred Outflows	(56,944)	0
Increase (Decrease) in Advance Payments Liability	178	1,034
Increase (Decrease) in Net Pension Liability and Deferred Inflows	59,453	0
Increase (Decrease) in Payroll Liabilities	2,333	(9,806)
Increase (Decrease) in Compensated Absences Liability	<u>7,065</u>	<u>(2,864)</u>
Total Adjustments	<u>321,648</u>	<u>314,359</u>
 Net Cash Provided By (Used For) Operating Activities	<u>\$ 340,629</u>	<u>\$ 275,694</u>

The accompanying notes are an integral part of the financial statements

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Atwood Regional Water and Sewer District is a special purpose independent political subdivision of the State of Ohio. It is governed by an appointed board of eight trustees. These financial statements present all the accounts of the District. Organized in 1970, the District serves an estimated population of 3,500 persons in Warren Township, Tuscarawas County and Orange and Monroe Townships, Carroll County together with the residents of the Villages of Sherrodsville and Dellroy. Trustees serve for a staggered three year term.

B. BASIS OF ACCOUNTING

The District uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the District has one fund which is categorized as a proprietary fund. Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF ACCOUNTING - (continued)

The accounting and financial reporting treatment applied to the District's funds is determined by their measurement focus. The District's fund is a proprietary, enterprise fund which uses a flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The District uses the accrual basis of accounting, which records revenue when earned and measurable and expenses when the liability is incurred. Revenues subject to accrual are charges for services.

In the preparation of its financial statements, the District conforms to the Generally Accepted Accounting Principles as prescribed in statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The District's financial statements have been prepared pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in PRE-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB Guidance as applicable to enterprise funds.

C. CASH AND CASH EQUIVALENTS

The District defines cash as coin minted and paper currency printed by the U.S. Government. Cash equivalents are defined as demand deposits, certificates of deposit, and any other instrument which can be readily exchanged for cash.

D. OPERATING AND NON-OPERATING REVENUES

Operating revenues are defined as those charges or receipts which relate directly to the delivery of sewer or water services. User charges, connection and impact fees, and penalties are operating revenues. Non-operating revenues have an indirect relationship to delivery of services. Interest on investments, rents, and royalties are examples of non-operating revenues.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. OPERATING AND NON-OPERATING EXPENSES

Operating expenses are defined as those payments for goods and services directly related to the delivery of sewer or water services. Personnel costs, contractual services, supplies and materials, utilities, and miscellaneous costs are operating expenses. Non-operating expenses have an indirect relationship to delivery of services. Payment for loan interest is the most common non-operating expense.

F. DEFERRED INFLOW OF RESOURCES AND DEFERRED OUTFLOWS OF RESOURCES

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflow of resources includes pension obligations. (See Note 6). This amount is deferred and recognized as an inflow of resources in the period the amount becomes available.

G. 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.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

2. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For the year ended December 31, 2015, the Atwood Regional Water & Sewer District has implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27 and GASB Statement No. 71," "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68."

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measurer of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trust of equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as reported December 31, 2014.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as reported December 31, 2014.

Net Position December 31, 2014	\$ 5,375,708
Adjustments:	
Net Pension Asset	141
Net Pension Liability	(278,803)
Deferred outflow-payment Subsequent to Measurement Date	11,231
Restated Net Position, January 1, 2015	\$ 5,132,564

3. DEPOSITS

At December 31, 2015 and 2014, the carrying amount of the District's deposits was \$490,083 and \$295,767 respectively, and the bank balances were \$491,838 and \$304,986 respectively. All of the bank balances for both years were covered by federal depository insurance and pledged securities.

Pursuant to Ohio Revised Code Section 135.16, the District has depository agreements with two depositories, Citizens Bank Company and PNC Financial Services, for deposits of active and inactive funds. Further, the Ohio Revised Code Section 6119.16 authorizes

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

3. DEPOSITS (CONTINUED)

the District to invest in obligations of the United States, the State of Ohio, or any of its political subdivisions. The District has no obligations that would be considered investments.

4. DEBT ADMINISTRATION

Long-term debt consists of five loans from Ohio Water Development Authority (OWDA), and three principal only loans from Ohio Public Works Commission (OPWC). The proceeds of these loans provide the District's share of water resource projects. The District pledges its revenues for payment of the loans; however, the agreements contain no stipulated net revenue coverage value for the debt service. Also, Ohio statutes contain no debt limit for water resource loans secured by pledged revenues.

Non-Current Loans Payable Fiscal Year 2015

Obligation	Balance at Jan 1	Issued	Retired	Balance at Dec 31	Due 2016
Cooperative Loan Agreement (OWDA) 1994 Interest Rate 6.02% Mat: 1/1/2020	\$ 139,251	\$ 0	\$ 24,691	\$ 114,560	\$ 26,177
Cooperative Loan Agreement (OWDA) 1999 Interest Rate 5.7% Mat: 1/1/2026	\$ 218,797	\$ 0	\$ 14,727	\$ 204,070	\$ 15,589
Cooperative Loan Agreement (OWDA) 2002 Interest Rate 2.00% Mat: 1/1/2029	\$ 456,572	\$ 0	\$ 28,563	\$ 428,009	\$ 29,137
Cooperative Loan Agreement (OWDA) 2010 Planning Loan Interest Rate 1.5% Mat: 2040	\$ 1,077,085	\$ 10,806	\$ 36,161	\$ 1,051,730	\$ 36,706
Cooperative Loan Agreement (OWDA) 2015 Interest Rate 1.4% Mat: 1/1/2046	\$ 0	\$ 292,158	\$ 0	\$ 292,158	\$ 0
Cooperative Loan Agreement (OPWC) 1995 Interest Rate 0.0% Mat: 7/1/2015	\$ 975	\$ 0	\$ 975	\$ 0	\$ 0
Cooperative Loan Agreement (OPWC) 1996 Interest Rate 0.0% Mat: 1/1/2016	\$ 2,650	\$ 0	\$ 2,650	\$ 0	\$ 0
Cooperative Loan Agreement (OPWC) 2011 Interest Rate 0.0% Mat: 1/1/2032	\$ 19,245	\$ 0	\$ 1,132	\$ 18,113	\$ 1,132
Total Obligations	\$ 1,914,575	\$ 302,964	\$ 108,899	\$ 2,108,640	\$ 108,741

Note: \$10,806 of the amount issued in 2015 was capitalized interest.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

4. DEBT ADMINISTRATION (CONTINUED)

Non-Current Loans Payable Fiscal Year 2014

Obligation	Balance at Jan 1	Issued	Retired	Balance at Dec 31	Due 2015
Cooperative Loan Agreement (OWDA) 1989 Interest Rate 7.9% Mat: 7/1/2014	\$ 64,988	\$ 0	\$ 64,988	\$ 0	\$ 0
Cooperative Loan Agreement (OWDA) 1994 Interest Rate 6.02% Mat: 1/1/2020	\$ 162,540	\$ 0	\$ 23,289	\$ 139,251	\$ 24,691
Cooperative Loan Agreement (OWDA) 1999 Interest Rate 5.77% Mat: 1/1/2026	\$ 232,710	\$ 0	\$ 13,913	\$ 218,797	\$ 14,727
Cooperative Loan Agreement (OWDA) 2002 Interest Rate 2.00% Mat: 1/1/2029	\$ 484,572	\$ 0	\$ 28,000	\$ 456,572	\$ 28,563
Cooperative Loan Agreement (OWDA) 2010 Planning Loan Interest Rate 1.5% Mat: 2040	\$ 1,112,710	\$ 0	\$ 35,625	\$ 1,077,085	\$ 36,161
Cooperative Loan Agreement (OPWC) 1995 Interest Rate 0.0% Mat: 7/1/2015	\$ 2,925	\$ 0	\$ 1,950	\$ 975	\$ 975
Cooperative Loan Agreement (OPWC) 1996 Interest Rate 0.0% Mat: 1/1/2016	\$ 5,300	\$ 0	\$ 2,650	\$ 2,650	\$ 2,650
Cooperative Loan Agreement (OPWC) 2011 Interest Rate 0.0% Mat: 1/1/2032	\$ 20,377	\$ 0	\$ 1,132	\$ 19,245	\$ 1,132
Total Obligations	\$ 2,086,122	\$ 0	\$ 171,547	\$ 1,914,575	\$ 108,899

The financial requirements to amortize all indebtedness, including interest, are as follows:

Year(s) Ending Dec 31 st :	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$43,100	\$108,920	\$152,020
2017	\$39,525	\$111,170	\$150,695
2018	\$35,774	\$114,920	\$150,694
2019	\$31,859	\$118,835	\$150,694
2020	\$27,725	\$106,433	\$134,158
2021-2025	\$96,853	\$563,467	\$660,320
2026-2030	\$45,566	\$404,140	\$449,706
2031-2035	\$24,843	\$307,983	\$332,826
2036-2039	\$6,834	\$272,772	\$279,606
	\$352,079	\$2,108,640	\$2,460,719

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

5. ACCRUED COMPENSATED ABSENCES

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

The District employs six full time personnel. The liability for sick leave is tabulated from one half of the accumulated hours for sick leave to a maximum of 480 hours multiplied by the current hourly rate for each eligible employee. Vacation is tabulated from the accumulated hours of vacation multiplied by the current hourly rate for each eligible employee. Year-end changes in vacation and sick leave accruals are closed to Compensated Absences on the Statement of Revenues, Expenses, and Changes in Fund Net Position and the Statement of Net Position. Sick leave and vacation liability is liquidated as compensated absences from regular work periods or within certain District policy limitations, paid to employees. Only full time employees are eligible for vacation. Sick leave benefits conform to statutory requirements.

6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

The 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. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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
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.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

	State and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	<u>14.0</u>	<u>%</u>
Employee	<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution is \$41,176 for 2015. Of this amount, \$7,588 is reported as accounts payable and payroll tax line item.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPER's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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 contributions of all participating entities. Following is information related to the proportionate share of pension expense:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Proportionate Share of the Net Pension Asset	\$ 0	\$ 516	\$ 516
Proportionate Share of the Net Pension Liability	\$ 285,245	\$ 0	\$ 285,245
Proportion of the Net Pension Liability	0.00236500%	0.00134100%	
Pension Expense	\$ 25,708	\$ 5,794	\$ 31,502

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 15,220	\$ 32	\$ 15,252
District contributions subsequent to the measurement date	<u>36,156</u>	<u>5,020</u>	<u>41,176</u>
Total Deferred Outflows of Resources	<u>\$ 51,376</u>	<u>\$ 5,052</u>	<u>\$ 56,428</u>

Deferred Inflow of Resources

Differences between expected and actual experience	<u>\$ 5,011</u>	<u>\$ 158</u>	<u>\$ 5,169</u>
--	-----------------	---------------	-----------------

\$41,176 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>Total</u>
Year Ending December 31:			
2016	\$ 1,493	\$ (11)	\$ 1,482
2017	1,493	(11)	1,482
2018	3,418	(11)	3,407
2019	3,805	(11)	3,794
2020	0	(19)	(19)
Thereafter	<u>0</u>	<u>(63)</u>	<u>(63)</u>
Total	<u>\$ 10,209</u>	<u>\$ (126)</u>	<u>\$ 10,083</u>

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – OPERS

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

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

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

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.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – OPERS (Continued)

OPERS manages investments in four investment portfolios: The Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
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	<u>18.00</u>	<u>4.59</u>
 Total	 <u>100.00 %</u>	 <u>5.27 %</u>

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions – OPERS (Continued)

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

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

The following table presents the District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District’s proportionate share Of the net pension liability:			
Traditional Plan	\$ 652,669	\$ 285,245	\$ 204,667
Combined Plan	(13)	(516)	(1,167)

7. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

7. POST-EMPLOYMENT BENEFITS (CONTINUED)

do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

OPERS provides for retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2015 and 2014 employer contribution rate for local government employer units was 14.00% of covered payroll. The portion of employer contributions allocated to health care members in the Traditional Plan was 2.0% and the Combined Plan was 2.0% for 2015. The Ohio Revised Code provides the statutory authority to require public employers to fund post-retirement health care through their contributions to OPERS. The employer contributions actually made to fund post-employment benefits for 2015 and 2014 were \$7,471 and \$3,408, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

8. CAPITAL ASSET MANAGEMENT

The District records capital assets at cost or estimated historical cost if purchased or constructed. As a proprietary enterprise fund, the District's capital assets are depreciated on a straight line basis during their useful life. While depreciation is not presently budgeted, it is reported as an expense. Major outlays for capital assets are capitalized when projects are completed and placed in service. Interest incurred during the loan disbursement period is reflected in the capitalized value of the asset. Capital assets are classified as those durable items which retain their identity when in use, have an estimated useful life of two years or more, and cost \$3,000 or more.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

8. CAPITAL ASSET MANAGEMENT (CONTINUED)

The District uses the following useful life periods for capital assets:

Buildings	20 - 40 years
Treatment Facilities	30 - 50 years
Infrastructures	50 years
Machinery and Equipment	2 - 20 years

Statement of Changes in Capital Assets
 For the year ended December 31, 2015

Capital Assets	Balance at Jan 1, 2015	Additions	Deletions	Balance at Dec 31, 2015
Land	\$93,976	\$40,000	\$0	\$133,976
Construction in Progress	\$99,608	\$219,939	\$0	\$319,547
Buildings	\$39,000	\$15,812	\$0	\$54,812
Less Accum Depr- Buildings	\$(37,840)	\$(1,292)	\$0	\$(39,132)
Treatment Facilities	\$2,727,616	\$0	\$0	\$2,727,616
Less Accum Depr – Treatment Facilities:	\$(1,882,055)	\$(54,553)	\$0	\$(1,936,608)
Infrastructures	\$12,630,576	\$0	\$0	\$12,630,576
Less Accum Depr – Infrastructures:	\$(6,851,549)	\$(281,058)	\$0	\$(7,132,607)
Machinery/Equip.	\$541,153	\$0	\$(27,300)	\$513,853
Less Accum Depr – Mach & Equipment:	\$(510,496)	\$(8,294)	\$27,300	\$(491,490)
Net Capital Assets:	\$6,849,989	\$(69,446)	\$0	\$6,780,543

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to Basic Financial Statements
 For the Years Ended December 31, 2015 and 2014

8. CAPITAL ASSET MANAGEMENT (CONTINUED)

Statement of Changes in Capital Assets
 For the year ended December 31, 2014

Capital Assets	Balance at Jan 1, 2014	Additions	Deletions	Balance at Dec 31, 2014
Land	\$93,976	\$0	\$0	\$93,976
Construction in Progress	\$85,958	\$13,650	\$0	\$99,608
Buildings	\$39,000	\$0	\$0	\$39,000
Less Accum Depr – Buildings:	\$(36,680)	\$(1,160)	\$0	\$(37,840)
Treatment Facilities	\$2,727,616	\$0	\$0	\$2,727,616
Less Accum Depr – Treatment Facilities:	\$(1,827,503)	\$(54,552)	\$0	\$(1,882,055)
Infrastructures	\$12,630,576	\$0	\$0	\$12,630,576
Less Accum Depr – Infrastructures:	\$(6,570,492)	\$(281,057)	\$0	\$(6,851,549)
Machinery/Equip.	\$532,652	\$8,501	\$0	\$541,153
Less Accum Depr –Mach & Equipment:	\$(500,676)	\$(9,820)	\$0	\$(510,496)
Net Capital Assets	\$7,174,427	\$(324,438)	\$0	\$6,849,989

9. ENCUMBRANCES PROCEDURE

Encumbrances are used for complex purchases or those requiring delivery over several months. Encumbrances expire at the end of the fiscal year and are re-established for the next fiscal year.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to Basic Financial Statements
For the Years Ended December 31, 2015 and 2014

10. INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured. The District has not significantly decreased coverage in the past three years, nor have claims exceeded commercial coverage.

11. CONTINGENCIES

Management is not aware of any pending litigation or claims against the District.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
 Last Two Years (1)

	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS) – Traditional Plan</i>		
District's Proportion of the Net Pension Liability (Asset)	0.0023650%	0.0023650%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 285,245	\$ 278,803
District's Covered-Employee Payroll	\$ 245,624	\$ 282,523
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	116.13%	98.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
<i>Ohio Public Employees' Retirement System (OPERS) – Combined Plan</i>		
District's Proportion of the Net Pension Liability (Asset)	0.0013410%	0.0013410%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ (516)	\$ (141)
District's Covered-Employee Payroll	\$ 50,360	\$ 38,523
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	1.02%	.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.83%	104.56%

(1) Information prior to 2013 is not available.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Required Supplementary Information
 Schedule of the District's Contributions
 Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS) – Traditional Plan</i>			
Contractually Required Contribution	\$ 36,156	\$ 29,475	\$ 36,728
Contributions in Relation to the Contractually Required Contribution	<u>(36,156)</u>	<u>(29,475)</u>	<u>(36,728)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 301,300	\$ 245,624	\$ 282,523
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Public Employees' Retirement System (OPERS) – Combined Plan</i>			
Contractually Required Contribution	\$ 5,020	\$ 6,043	\$ 5,008
Contributions in Relation to the Contractually Required Contribution	<u>(5,020)</u>	<u>(6,043)</u>	<u>(5,008)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 41,833	\$ 50,360	\$ 38,523
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available

This page reserved

This page intentionally left blank.

STATISTICAL

SECTION

This page intentionally left blank

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
DEMOGRAPHIC SUMMARY 2015**

EMPLOYMENT (1)

Employer:	Employees:
Atwood Lake Resort and Conference Center	78
Atwood Lake Boats	25
Muskingum Watershed Conservancy District	45
Carrollton Exempted Schools	24

Source: Atwood Regional Water and Sewer District
Note (1) Data from ten years ago is not available.

COMMUNITY POPULATION (2010 Census as revised)

Subdivision:	Population:
Sherrodsville, Carroll County	317
Dellroy, Carroll County	294
Monroe Township, Carroll County	2,072
Warren Township, Tuscarawas County	1,179
Carroll County	28,187
Tuscarawas County	92,788

Source: US Census Bureau

COMMUNITY TAX VALUATION

Subdivision:	
Sherrodsville, Carroll County	\$ 2,439,030
Dellroy, Carroll County	\$ 3,323,540
Monroe Township, Carroll County	\$ 52,672,860
Warren Township, Tuscarawas County	\$ 30,264,220

Source: Auditor and Treasurer, Carroll County
Auditor and Treasurer, Tuscarawas County

**Atwood Regional Water and Sewer District
Carroll and Tuscarawas Counties, Ohio**

Principal Customer Schedule (1)

CUSTOMER	% of Revenue Base
Atwood Resort and Conference Center	13%
Atwood Lake Park	13%
Atwood Yacht Club	1%
Carrollton Exempted Schools (Dellroy Elementary)	1%
Dellroy Laundromat	Less than 1%
Atwood Lake Boats (Atlamar)	1%
Conotton Valley Local Schools (Sherrodsville Elementary)	1%
U.S. Army Corps of Engineers (Park and Office)	Less than 1%
Casablanca Restaurant	Less than 1%

The District's customer base contains 1,245 active accounts which represent the equivalent of 1,828 residential users

Source: Atwood Regional Water and Sewer District Records
Note (1) Data from ten years ago is not available.

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
Ten Year History of Net Position by Component**

Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Investment in Capital Assets	\$4,671,903	\$4,935,414	\$5,088,305	\$5,119,164	\$5,334,791	\$5,271,046	\$6,089,140	\$5,959,792	\$5,691,402	\$5,798,642
Unrestricted Net Position	425,822	440,294	372,975	527,316	504,940	495,800	(277,992)	(139,770)	319,582	313,891
Total Net Position	\$5,097,725	\$5,375,708	\$5,461,280	\$5,646,480	\$5,839,731	\$5,766,846	\$5,811,148	\$5,820,022	\$6,010,984	\$6,112,534

Source: Atwood Regional Water and Sewer District Records

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
Ten Year History of User Equivalent Rates for Sewer Service
Applied To Customer Base of 1,830 User Equivalents**

Rate	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential User Equivalent Rate	\$46.00	\$43.00	\$43.00	\$43.00	\$43.00	\$40.00	\$38.00	\$38.00	\$36.00	\$36.00
Optional Commercial Rate per 1000 gallons	\$12.00	\$10.00	\$9.00	\$9.00	\$ 9.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00

Source: Atwood Regional Water and Sewer District Records

Note: Rates can be changed anytime with approval by Board of Trustees.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Long Term Debt Service
Ten Year History

Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Loan Balance December 31st	\$ 2,108,640	\$ 1,914,575	\$ 2,086,123	\$ 2,314,704	\$ 2,531,095	\$ 2,545,125	\$ 2,457,180	\$ 2,162,257	\$ 2,043,846	\$ 2,113,684
Interest Paid	\$ 56,777	\$ 53,820	\$ 65,771	\$ 76,929	\$ 87,364	\$ 97,125	\$ 86,975	\$ 95,678	\$ 113,597	\$ 115,018
Debt Retired	\$ 108,899	\$ 171,547	\$ 228,581	\$ 216,391	\$ 203,867	\$ 193,215	\$ 150,201	\$ 164,841	\$ 207,161	\$ 144,034
Total Debt Service Paid	\$ 165,676	\$ 225,367	\$ 294,352	\$ 293,320	\$ 291,231	\$ 290,340	\$ 237,176	\$ 260,519	\$ 320,758	\$ 259,052
Debt Issued	\$ 292,158									
Debt Coverage	7	5	3.5	3.4	3.3	3.2	3.8	3.4	2.7	3.2
Debt per Customer	\$ 1,694	\$ 1,538	\$ 1,676	\$ 1,859	\$ 2,025	\$ 2,036	\$ 1,966	\$ 1,730	\$ 1,635	\$ 1,691

Source: Atwood Regional Water and Sewer District Records. Details regarding the District's outstanding debt can be found in the notes to the financial statements.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Changes in Net Position
Ten Year History

Operating Expenses										
Personal Services	\$ 506,470	476,108	500,325	464,275	426,057	414,181	339,394	385,342	339,923	277,464
Contractual Services	29,279	43,303	46,225	64,839	41,869	63,171	41,459	52,145	31,241	34,478
Materials, Supplies, Equipment	57,463	74,437	100,439	94,706	83,135	63,167	46,813	131,312	81,368	71,090
Utilities	119,847	120,790	107,711	92,466	90,203	91,587	91,486	83,658	75,034	75,958
Depreciation	345,196	346,590	347,826	352,018	297,015	296,299	305,345	302,065	294,924	294,049
Other Operating Expenses	38,465	35,463	37,517	34,185	31,946	35,017	34,612	39,033	33,591	32,717
Total Operating Expenses	1,096,720	1,096,691	1,140,043	1,102,489	970,225	963,422	859,109	993,555	856,081	785,756
Net Operating Income(Loss)	\$ 18,981	\$ (38,665)	\$ (115,304)	\$ (119,081)	(18,228)	(31,939)	34,626	(105,185)	(4,610)	47,268
Non-Operating Revenue(Expenses)										
Rent, Royalties, Interest on Investments	1,662	950	1214	1,321	2,679	2,305	3,241	9,899	16,624	14,225
Interest and Fiscal Charges	(56,777)	(53,820)	(65,771)	(76,929)	(87,364)	(97,125)	(86,975)	(95,678)	(113,597)	(115,018)
Other non-operating Revenue	2,284	5,963	353	1440	2,194	66,498	40,234	-	32	-
Other non-operating Expenses	(989)	0	0	0	(7,025)	(3,411)	-	-	-	-
Total Non-Operating Revenues (Expenses)	\$ (53,820)	\$ (46,907)	\$ (179,508)	\$ (193,249)	(107,744)	(63,672)	(8,874)	(190,964)	(101,551)	(53,525)
Capital Contributions	0	0	0	0	180,269	19,370	-	-	-	-
Change in Net Position	\$ (34,839)	\$ (85,572)	\$ (179,508)	\$ (193,249)	72,525	(44,302)	(8,874)	(190,964)	(101,551)	(53,525)
Beginning Net Position January 1st	\$ 5,375,708	5,461,280	5,646,482	5,839,731	5,766,846	5,811,148	5,820,025	6,010,986	6,112,534	6,166,062
Restatement of Net Pension Liab	(243,144)	0	0	0	0	0	0	0	0	0
Ending Net Position December 31st	\$ 5,097,725	\$ 5,375,708	\$ 5,466,974	\$ 5,646,482	\$ 5,839,371	\$ 5,766,846	\$ 5,811,151	\$ 5,820,022	\$ 6,010,983	\$ 6,112,537

Source: Atwood Regional Water and Sewer District Records

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio

Ten Year Demand for Services and Operations Activity Summary

Year	Avg Daily Flow (MGD)	Effluent BOD (ppm)	Solids (ppm)	NH ₄ (ppm)	Influent BOD (ppm)	Solids (ppm)	NH ₄ (ppm)	Yrly Oxygen Demand (tons)	Yrly Solids Removed (tons)
2015	0.406	1.064	1.000	0.205	145.583	102.583	10.000	89.23	62.712
2014	0.228	0.961	0.403	0.336	173.000	139.000	10.000	59.70	48.10
2013	0.275	0.995	0.558	0.356	161.000	159.000	10.000	66.97	66.32
2012	0.225	0.999	0.483	0.280	203.000	188.000	10.000	69.18	64.22
2011	0.294	1.093	0.580	0.285	202.000	148.000	10.000	89.90	66.10
2010	0.309	1.178	0.235	0.524	234.667	162.810	39.212	109.85	76.49
2009	0.226	1.153	0.373	0.300	319.583	206.000	10.000	109.58	70.76
2008	0.320	1.263	0.667	0.384	264.333	139.917	10.000	128.13	67.82
2007	0.338	1.241	0.413	0.635	246.583	161.250	10.000	126.31	82.81
2006	0.297	1.464	0.401	0.364	243.621	146.323	10.000	109.40	65.92

2015				
Annual Wastewater Treated			148.06	Million Gallons
Annual Solids Removed			62.72	Tons
Annual Biochemical Oxygen Demand (BOD)			89.23	Tons
Annual Ammonia Removed			6.05	Tons
2015 Average Daily Flow			405,642	Gallons
Pollutant:	Daily ppm	Discharge Limits Lbs	Average Daily Discharge (lbs)	Average Daily Removed (lbs)
Suspended Solids	8.0	27.06	3.38	343.66
Biochemical Oxygen Demand	7.0	23.68	3.60	488.92
Ammonia (NH ₄)	1.5	5.07	0.69	33.14

2015 Avg Daily Flow (1000 Gals)	405.6	Operating cost/1000 gal:	\$7.46
Total Flow 2015 in 1000 Gal	148,059	Debt Svc per 1000 gal:	\$1.05
Total 2015 Expense other than Capital Improvements Outlay	\$1,105,018	Total Cost per 1000 gal:	\$8.51

Source: Atwood Regional Water and Sewer District Records



Dave Yost • Auditor of State

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 22, 2016**