

*ATWOOD REGIONAL WATER  
AND SEWER DISTRICT*

Carroll and Tuscarawas Counties, Ohio

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended December 31, 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Atwood Regional Water and Sewer District  
P.O. Box 100  
Dellroy, Ohio 44620

We have reviewed the Independent Auditor's Report of the Atwood Regional Water and Sewer District, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 Regional Water and Sewer District is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 3, 2004

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*ATWOOD REGIONAL WATER  
AND SEWER DISTRICT*

Carroll and Tuscarawas Counties, Ohio

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended December 31, 2003

Prepared by:  
Larry Lloyd  
Secretary-Treasurer

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ATWOOD REGIONAL WATER AND SEWER DISTRICT

Carroll and Tuscarawas Counties, Ohio

Comprehensive Annual Financial Report  
For the Year Ended December 31, 2003

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# INTRODUCTORY SECTION



Atwood Regional Water and Sewer District  
PO Box 100  
Dellroy OH 44620  
330-343-2113

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June 30, 2004

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, 2003 is presented in compliance with statutory requirements of the Ohio Revised Code. An Independent Public Accountant performed a biennial audit for the fiscal years 2002 and 2003. 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 annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, and a list of the Atwood Regional Water and Sewer District's principal officials. The financial section includes the financial statements and notes to the basic financial statements. The statistical section includes selected operating, financial, and demographic information.

The financial reporting entity (the District) 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 2003, the District celebrated its thirty third 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 17.25 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. Sixty commercial entities (5%) of the 1225 active accounts provide thirty six percent of the District's user charge revenues.

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, and official records management. In 2003 the Board added the Secretary-Treasurer's responsibility as an additional duty for the Superintendent. It also created a new Chief of Operations and Training position and a full time office secretary. Board members are appointed by user entities established in the District's organizational scheme. Board members serve for staggered three year terms.

The District enjoys a favorable economic environment which points to continued stability. 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 together with the United States Army Corps of Engineers provide for stable recreation and flood control activities in the area.

The District and surrounding counties have benefitted from the long-term stability of manufacturing and surface transportation industries. Further, the business and employment opportunities afforded by the residential growth as a recreation and retirement area enhances stability for the communities around the District.

## **Management Discussion and Analysis:**

A new 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 judgements by management.

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 level of legal budgetary control is at fund 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.

## **Other Information:**

This report is based upon the Comprehensive Annual Financial Report (CAFR) requirements as established by the Governmental Accounting Standards Board. The independent Certified Public Accounting firm of Charles E. Harris and Associates performed a biennial audit for fiscal years 2002 and 2003.

The biennial audit and audit report will be reviewed and approved by the Office of the Auditor, State of Ohio. 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 last biennial audit was performed for the fiscal years 2000 and 2001.

**Other Information (continued):**

The Certificate of Achievement for Excellence in Financial Reporting was awarded to the Atwood Regional Water and Sewer District by the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial report for the year ended December 31, 2001. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

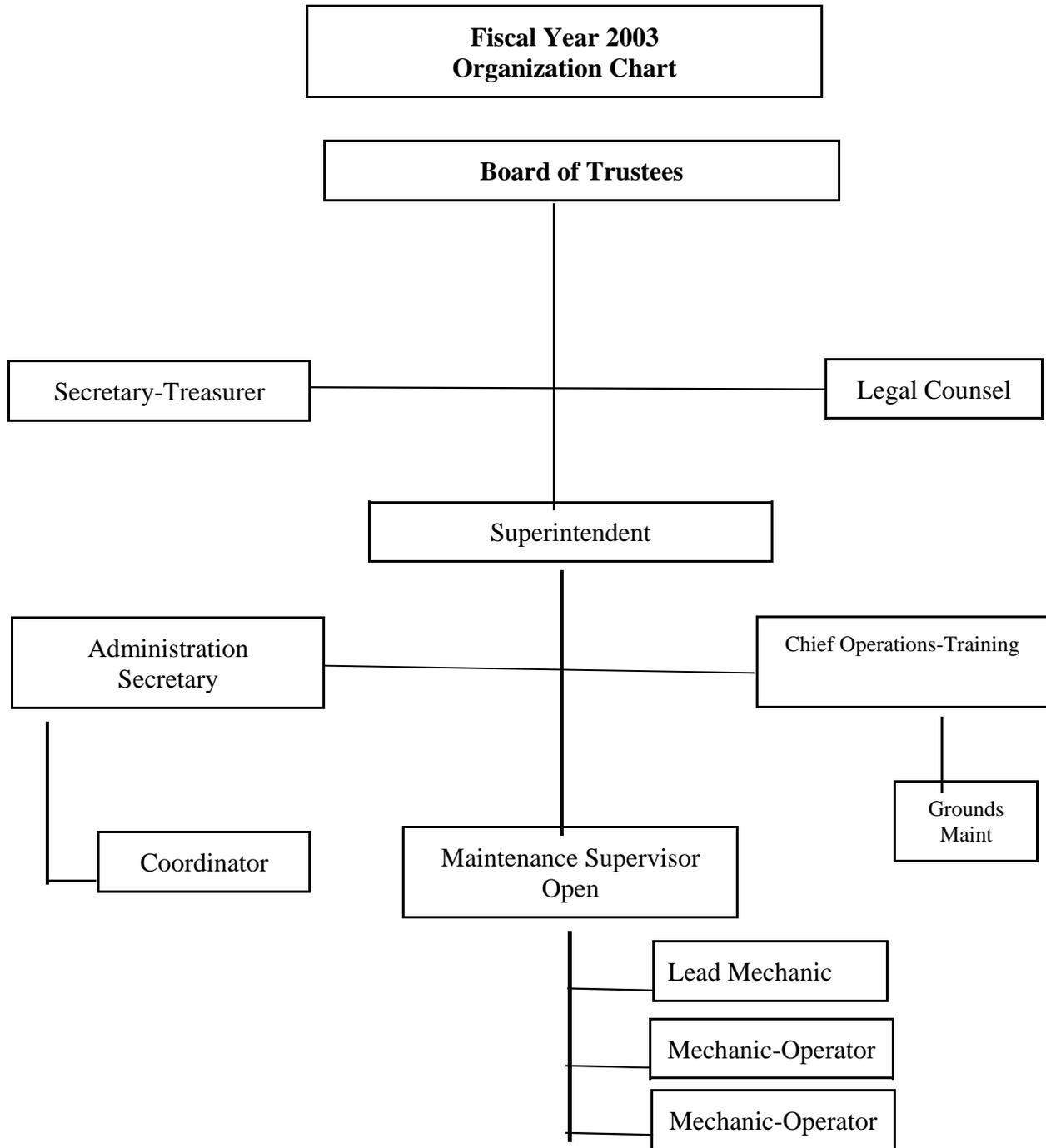
The statistical section of this report presents data regarding the operation of the wastewater treatment facility. The data show the annual flow, annual removal of pollutants and detailed activity for 2003. Ten year revenue and expenditure trend data are presented together with other relevant statistical information.

Sincerely,

**Atwood Regional Water and Sewer District**

*Larry Lloyd*  
*Secretary-Treasurer*

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



ADMINISTRATIVE PERSONNEL  
as of December 31, 2003

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<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
Philip Eberhart	President	2/19/02 to 2/19/05	[A]	\$50,000	covers term
Michael Shepperson	Vice-President	2/11/02 to 02/11/05	[A]	\$50,000	covers term
Philip Stern	Trustee	8/19/02 to 8/19/05	n/a	n/a	n/a
Robert DeSeyn	Trustee	7/15/01 to 7/15/04	n/a	n/a	n/a
Ed Davy <sup>1</sup>	Trustee	2/19/02 to 2/19/05	n/a	n/a	n/a
Carl Gaetano	Trustee	8/21/01 to 08/21/04	n/a	n/a	n/a
Jean Griffeth <sup>1</sup>	Trustee	8/20/01 to 8/20/04	n/a	n/a	n/a
Robert Hendershot	Trustee	2/11/02 to 2/11/05	n/a	n/a	n/a
Larry Lloyd	Superintendent Secretary/Treasurer	Indefinite	[A]	\$50,000	covers term
Legal Counsel D. Brad Zimmerman	Chief Counsel	Indefinite	n/a	n/a	n/a
140 Fair Ave, New Philadelphia, OH 44663					

1. Appointed to complete remaining term of Trustees Mark Flowers and Roy Cherry respectively who resigned in 2003.

[A] Westfield Insurance Company

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**Staff:**

Full Time:

Ben Reardon      Lead Mechanic  
Garry Daniels    Mechanic-Operator  
Tom Slutz        Mechanic-Operator  
Mike Chitti      Chief Operations/Training  
Starr Cox        Secretary

Part Time:

Dave Rennicker    Grounds Maint

## FINANCIAL SECTION



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

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

**REPORT OF INDEPENDENT ACCOUNTANTS**

**Board of Trustees**  
**Atwood Regional Water and Sewer District**  
**Dellroy, Ohio**

We have audited the accompanying financial statements of the Atwood Regional Water and Sewer District (the District), as of and for the years ended December 31, 2002 and 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2002 and 2003, and the respective changes in financial position and cash flows, where applicable, of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted Governmental Accounting and Standards Board Statement Nos. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended December 31, 2002.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Atwood Regional Water and Sewer District  
Report of Independent Accountants  
Page 2**

**We did not audit the introductory and statistical information as listed in the table of contents and therefore express no opinion thereon.**

*Charles E. Harris & Associates, Inc.*  
**June 8, 2004**

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties Ohio  
(Unaudited)

**MANAGEMENT DISCUSSION AND ANALYSIS:**

**Overview of the Financial Statements**

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

The Statement of Net Assets 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 Assets is used to report the flow of economic resources which emphasis determination of net income. All revenues earned and all expenses incurred are reported in this statement.

The Cash Flow Statement shows the distribution of cash received and expended during the period. Non-cash transactions such as depreciation are omitted from this statement.

The notes to the financial statements contain important detail which assist the user in gaining a full understanding of the statements.

**Analysis of Operations Activity:**

The District operates a tertiary wastewater treatment plant and maintains a collection system of some 50 miles of sewers with seventeen primary lift stations and 130 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 ninety six 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.

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties Ohio  
(Unaudited)

**Analysis of Operations Activity: (continued)**

The District's operations for 2003 centered on maintenance activity. The staff repaired three lift station pumps, eighteen grinder pumps, and replaced several shutoff and check valves. A new service truck with hydraulic crane was delivered in January 2003. This vehicle replaces a fourteen year old truck with very high mileage. The Ford 650 Sewer Jet Truck Eight purchased in 1982 was rebuilt with a new tank, high pressure pump, and complete paint job for cost of \$20,153. Compared to a new truck costing over \$150,000, the rebuild was very cost effective. The staff added automatic dialer alarm systems to eight of 15 primary lift stations. Old alarm dialers were replaced on three other stations. These units provide 24/7 monitoring of high water levels and power failures. Operators on call are notified via telephone of the alarm condition.

Design activity progressed on the sewer extension on Dawn Road north of Sherrodsville and construction commenced on a sewer extension east of Dellroy to serve the Candle-Glow Bed and Breakfast area. Eight new residential connections were installed during the year. Projects for next year include installation of a relief pump station at the plant to improve pump efficiencies at upstream stations and rehabilitation of several 24 year old pump stations. The District continued its development of a water project which serves the entire district for both domestic water service and fire protection. The project consists of a well field and associated treatment facilities, three water storage tanks together with transmission and distribution lines. Recently revised, the estimated cost of the entire project is 14 million dollars. A pre-application was submitted to Ohio EPA in 1999 and a pre-application was submitted in September 2000 to USDA Rural Development Office in Wooster. A fairly small group of residents strongly protested the water project and vigorously complained about the work done to address the feasibility and financing of a public water system. In September, the Board adopted a motion to limit the activity on the water project to "looking for grants". USDA's current year grant allocation provides significant reduction in grant assistance which may delay the project for some time.

The District's charges for services for 2003 decreased \$9,684 from \$777,415 in 2002 to \$767,731 in 2003 as a result of lower connection/impact fee receipts. Investment income decreased \$1,073 from \$5,190 in 2002 to \$4,117 in 2003 as a result of lower interest rates and less invested cash. Operating expenses increased from \$759,929 in 2002 to \$811,283 in 2003 due to increases in contractual services and materials for maintenance. The net loss for the year is due mainly to unfunded depreciation. Accrued compensated absences liability dropped from \$78,019 in 2002 to \$16,269 due to liquidation for retirement and a change in District accrued leave policy.

**Budget Summary:**

The District funds its operations through a users 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 revise them to generate sufficient revenues to recover costs of all treatment works operation maintenance and such other expenditures as may be authorized. The annual budget is the main document used to comply with this regulation. The budget estimates revenues and expenditures for the year and helps track the actual progress. The District is not required to follow budgetary requirements of the Ohio Revised Code.

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. The \$31.75 monthly residential users charge became effective on January 1, 2002 and continued during 2003. Commercial users have additional fixtures charges to compensate for increased loadings in addition to the base charge of \$31.75 per month.

For comparison, the Ohio EPA conducts an annual survey of 550 water and sewer utilities in Ohio each year. The average residential annual sewer rate in Ohio for 2002 was \$389 compared to the District's annual residential rate of \$381.00. Also, the average residential user in the District discharges about 150 to 200 gallons of water per day into the system. The sewage weights between 1250 and 1650 pounds and a home owner would need some 30 to 40 five gallon buckets to haul it each day. Most of the sewage travels 5 miles and some travels over 10 miles to the treatment plant. The plant then removes over 96 percent of the pollutants and disinfects the water prior to discharging it into the Conotton Creek. The organic solids are further treated and ultimately added to cropland as soil conditioner. The customer pays \$1.06 per day for this service.

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 \$35.48 users charge to produce the same purchasing power in 2003. The \$23.00 monthly users charge in 1987 requires a rate of \$37.25 to achieve parity in 2003. 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 connection fee for the District has remained at \$1,700 for 2003. 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. Periodically, a system audit is conducted 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  
(Unaudited)

**Budget Summary: (continued)**

The construction schedule changes caused the variation in the capital outlay budget item. Certain personnel changes in 2003 lowered the personnel costs. Otherwise the budget changes for the year were typical.

**Capital assets and long-term debt activity:**

The District's capital asset activity consists of construction projects and development of a rehabilitation plan for the sewage collection and pumping system . Its debt is administered via loan agreements with Ohio Water Development Authority, Ohio Public Works Commission and a loan with a local bank. A detailed debt schedule is presented in the notes to the basic financial statements. The OWDA construction loan remains open and in a disbursing status while the improvements are completed. The requested loan amount was \$ 731,390 of which \$430,981 has been disbursed. A five year demand water resource note of \$225,000 held by Citizens Bank will become due August 27, 2004. At its October 2003 meeting, the Board decided to sell certain real estate assets to reduce the Citizens bank loan and the remaining balance, if any, may be refinanced.

**Other Potentially Significant Matters:**

Please refer to the notes to the basic financial statements for details on certain litigation currently underway. While the outcome is uncertain, management and legal counsel believes that the District will obtain favorable results.

**Contacting the District's Financial Management**

This financial report is designed to provide our users, investors and creditors 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 Larry Lloyd, 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**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY ENTERPRISE FUND**  
AS OF DECEMBER 31st,

	<b>2003</b>	<b>2002</b>
Assets:		
Current Assets:		
Cash Assets:	\$ 98,635	\$ 154,992
Accounts Receivable:	\$ 109,702	\$ 101,825
Total Current Assets:	\$ 208,337	\$ 256,817
Noncurrent Assets:		
Land:	\$ 265,147	\$ 265,147
Buildings:	\$ 39,000	\$ 39,000
Treatment Facilities:	\$ 2,727,616	\$ 2,727,616
Infrastructures:	\$ 10,433,998	\$ 10,433,998
Machinery and Equipment:	\$ 452,707	\$ 389,606
Construction in Progress:	\$ 487,390	\$ 183,891
Less Accumulated Depreciation:	\$ (5,890,545)	\$ (5,614,536)
Net Noncurrent Assets:	\$ 8,515,313	\$ 8,424,722
Total Assets:	\$ 8,723,650	\$ 8,681,539
Liabilities and Net Assets:		
Current Liabilities:		
Advance Sewer Payments:	\$ 5,497	\$ 5,433
Accounts Payable and Payroll Taxes:	\$ 10,376	\$ 10,835
Total Current Liabilities:	\$ 15,873	\$ 16,268
Noncurrent Liabilities:		
Due Within One Year:	\$ 338,938	\$ 94,572
Due in More Than One Year:	\$ 2,032,997	\$ 2,072,128
Total Long-Term Liabilities Payable:	\$ 2,371,935	\$ 2,166,700
Total Liabilities:	\$ 2,387,808	\$ 2,182,968
Net Assets:		
Invested in capital assets net of related debt:	\$ 6,154,637	\$ 6,336,041
Unrestricted Assets:	\$ 181,205	\$ 162,530
Total Net Assets:	\$ 6,335,842	\$ 6,498,571
Total Liabilities and Net Assets:	\$ 8,723,650	\$ 8,681,539

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

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY ENTERPRISE FUND  
AS OF DECEMBER 31st,**

	<b>2003</b>	<b>2002</b>
Operating Revenue:		
Charges for Services:	\$ 767,731	\$ 777,415
Operating Expenses:		
Personal Services:	\$ 308,119	\$ 302,276
Contractual Services:	\$ 45,370	\$ 22,156
Materials, Supplies, and Equipment:	\$ 78,540	\$ 62,435
Utilities:	\$ 66,364	\$ 62,732
Depreciation:	\$ 281,004	\$ 283,385
Other Operating Expenses:	\$ 31,886	\$ 26,945
Total Operating Expenses:	<u>\$ 811,283</u>	<u>\$ 759,929</u>
Net Operating Income (Loss):	<u>\$ (43,552)</u>	<u>\$ 17,486</u>
Non-Operating Receipts (Expenses):		
Rent, Royalties and Interest on Investments:	\$ 4,117	\$ 5,190
Interest and Fiscal Charges:	\$ (123,294)	\$ (136,723)
Total Non-Operating Receipts (Expenses):	<u>\$ (119,177)</u>	<u>\$ (131,533)</u>
Change in Net Assets:	<u>\$ (162,729)</u>	<u>\$ (114,047)</u>
Beginning Net Assets Jan 1 <sup>st</sup> :	<u>\$ 6,498,571</u>	<u>\$ 6,612,618</u>
Ending Net Assets Dec 31 <sup>st</sup> :	<u><u>\$6,335,842</u></u>	<u><u>\$ 6,498,571</u></u>

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
CARROLL AND TUSCARAWAS COUNTIES, OHIO

CASH FLOW STATEMENT  
PROPRIETARY ENTERPRISE FUND  
AS OF DECEMBER 31,

	<b>2003</b>	<b>2002</b>
<b>Cash Flows From Operating Activities:</b>		
Payments from Customers:	\$ 759,854	\$ 773,032
Payments to Suppliers for Goods and Services:	\$ (222,160)	\$ (174,268)
Payments to/for Employees, Benefits, and related Taxes:	\$ (308,119)	\$ (302,276)
Payments to Liquidate Accrued Compensated Absences:	<u>\$ (62,145)</u>	<u>\$ 0</u>
<i>Net Cash Provided By (Used For) Operating Activities:</i>	\$ 167,430	\$ 296,488
 <b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from Capital Debt:	\$ 349,854	\$ 81,127
Payments for Capital Acquisitions:	\$ (371,595)	\$ (140,908)
Principal Paid on Capital Debt:	\$ (82,869)	\$ (77,477)
Interest Paid on Capital Debt:	<u>\$ (123,294)</u>	<u>\$ (136,723)</u>
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities:</i>	\$ (227,904)	\$ (273,981)
 <b>Cash Flows From Investing Activities:</b>		
Payments From Interest, Royalties, and Rent:	<u>\$ 4,117</u>	<u>\$ 5,190</u>
<i>Net Cash Provided By (Used For) Investing Activities:</i>	\$ 4,117	\$ 5,190
 Net Increase (Decrease) in Cash and Cash Equivalents:	 \$ (56,357)	 \$ 27,697
Cash and Cash Equivalents January 1:	<u>\$ 154,992</u>	<u>\$ 127,295</u>
Cash and Cash Equivalents December 31:	<u><u>\$ 98,635</u></u>	<u><u>\$ 154,992</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Net Operating Income:	<u>\$ (43,552)</u>	<u>\$ 17,486</u>
Adjustments:		
Depreciation	\$ 281,004	\$ 283,385
Increase (Decrease) in Accounts Receivable:	\$ (7,880)	\$ (8,012)
Increase (Decrease) in Advance Payments Liability:	\$ 64	\$ (77)
Increase (Decrease) in Payroll Liabilities:	\$ (459)	\$ (5,963)
Increase (Decrease) in Compensated Absences Liability:	<u>\$ (61,747)</u>	<u>\$ 9,669</u>
Total Adjustments:	<u>\$ 210,982</u>	<u>\$ 279,002</u>
<i>Net Cash Provided By (Used For) Operating Activities:</i>	<u><u>\$ 167,430</u></u>	<u><u>\$ 296,488</u></u>

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2002 and 2003

**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 3500 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.

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.

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2002 and 2003

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**B. BASIS OF ACCOUNTING - (continued)**

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 in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The District applies Financial Accounting Standards Board Statements and Interpretations provided that they do not conflict with GASB Statements and Interpretations.

The District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences."

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The implementation of this statement had no effect on the District beginning balances.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

**C. Cash and Cash Equivalents:**

The District defines cash as coin minted by the U.S. Government; pennies, nickels, dimes, quarters, half dollars, and paper currency printed in denominations of one, five, ten, twenty, fifty, and one hundred dollars as cash. 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.

**2. DEPOSITS**

At December 31, 2003 and 2002, the carrying amount of the District's deposits was \$98,635 and \$154,992 respectively, and the bank balances were \$105,421 and \$164,762, respectively. All of the bank balances for both years were covered by federal depository insurance.

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

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
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**3. DEBT ADMINISTRATION**

Long-term debt consists of four loans from Ohio Water Development Authority (OWDA), two principal only loans from Ohio Public Works Commission (OPWC), and a five year demand loan from Citizens Bank Company. 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.

The District financed projects for equipment replacement and sewer extensions to serve residents east of Dellroy and north of Sherrodsville. Two replacement and a relief pump station are included in the financing plan. A total of \$349,854 was disbursed during 2003 for capital assets.

Non-Current Loans Payable Fiscal Year 2003

Obligation	Bal Jan 1	Issued	Retired	Bal Dec 31	Due 2004
Cooperative Loan Agreement (OWDA) 1989 Interest Rate 7.9 % Mat: 7/1/2014	\$ 1,034,438	\$ 0	\$ 58,584	\$ 975,854	\$ 63,206
Cooperative Loan Agreement (OWDA) 1994 Interest Rate 6.02 % Mat: 1/1/2020	\$ 346,025	\$ 0	\$ 12,243	\$ 333,782	\$ 12,980
Cooperative Loan Agreement (OWDA) 1999 Interest Rate 5.77% Mat: 1/1/2026	\$ 343,266	\$ 0	\$ 7,442	\$ 335,824	\$ 7,877
Cooperative Loan Agreement (OWDA) 2002 Interest Rate 2.00% Mat: 1/1/2029	\$ 81,127	\$ 349,854	\$ 0	\$ 430,981	\$ 22,885
Cooperative Loan Agreement (OPWC) 1995 Interest Rate 0.0% Mat 7/1/2015	\$ 24,375	\$ 0	\$ 1,950	\$ 22,425	\$ 1,950
Cooperative Loan Agreement (OPWC) 1996 Interest Rate 0.0% Mat: 1/1/2016	\$ 34,450	\$ 0	\$ 2,650	\$ 31,800	\$ 2,600
Citizens Bank Loan 1999 Interest Rate Variable 2.0% Mat: 8/27/2004	\$ 225,000	\$ 0	\$ 0	\$ 225,000	\$ 225,000
<b>Total Obligations</b>	<b>\$ 2,088,681</b>	<b>\$ 349,854</b>	<b>\$ 82,869</b>	<b>\$ 2,355,666</b>	<b>\$ 336,498</b>

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
 Carroll and Tuscarawas Counties Ohio  
 Notes to the Basic Financial Statements  
 For the Years Ended December 31, 2002 and 2003

**3. DEBT ADMINISTRATION - (continued)**

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

Year (s) Ending Dec 31st:	
2004	\$ 460,883
2005	\$ 231,756
2006	\$ 232,159
2007	\$ 232,593
2008-2013	\$ 1,179,744
2014-2018	\$ 633,351
2019-2023	\$ 405,648
2024-2029	\$ 241,538
Total requirements:	<u>\$ 3,617,672</u>

**4. 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 employees' 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 and one part 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 Assets and the Statement of Net Assets. 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 and sick leave benefits.

**5. DEFINED BENEFIT PENSION PLAN**

The employees of the District are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2002 and 2003

**5. DEFINED BENEFIT PENSION PLAN - (continued)**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described as follows: 1)The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan. 2)The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MemberDirected Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. 3)The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2003 member contribution rates were 8.5%. The 2003 employer contribution rate for local government employer units the rate was 13.55% of covered payroll.

The payroll covered by this pension system for 2003, 2002, and 2001 was \$195,575, \$196,801, and \$222,535, respectively. Actual employer contributions for those years was \$22,430 (92%), \$26,667 (100%), and \$30,153 (100%), which is 13.55% of above payroll. The actual employee contributions were \$15,390 (92%), \$16,728(100%), and \$18,915 (100%), which is 8.5% respectively of the above payroll amount. The District provides a fringe benefit pickup plan for full time employees.

**6. 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 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

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties Ohio  
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**6. POST-EMPLOYMENT BENEFITS - (continued)**

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. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for local government employer units was 13.55% of covered payroll, of which 5.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The rates stated above are the actuarially determined contribution requirements for OPERS. The portion of employer contributions that were used to fund post employment benefits was \$72,167. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
 Carroll and Tuscarawas Counties Ohio  
 Notes to the Basic Financial Statements  
 For the Years Ended December 31, 2002 and 2003

**6. POST-EMPLOYMENT BENEFITS - (continued)**

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

**7. CAPITAL ASSET MANAGEMENT**

The District records fixed assets at cost or estimated historical cost if purchased or constructed. As a proprietary enterprise fund, the District's 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. Fixed 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.

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

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

Statement of Changes in Fixed Assets  
 For year ending December 31, 2003

Fixed Assets	Bal Jan 1, 2003	Additions	Deletions	Balance Dec 31, 2003
Land	\$ 265,147	\$ 0	\$ 0	\$ 265,147
Buildings	\$ 39,000	\$ 0	\$ 0	\$ 39,000
Treatment Facilities	\$ 2,727,616	\$ 0	\$ 0	\$ 2,727,616
Infrastructures	\$ 10,433,998	\$ 0	\$ 0	\$ 10,433,998
Machinery/Equip.	\$ 389,606	\$ 68,096	\$ 4,995	\$ 452,707
Total Fixed Assets In Service:	\$ 13,855,367	\$ 68,096	\$ 4,995	\$ 13,918,468
Less Accumulated Depreciation	\$ (5,614,536)	\$ (281,004)	\$ 4,995	\$ (5,890,545)
Construction in Progress	\$ 183,891	\$ 303,499	\$ 0	\$ 487,390
Net Fixed Assets	\$ 8,424,722	\$ 90,591	\$ 0	\$ 8,515,313

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
 Carroll and Tuscarawas Counties Ohio  
 Notes to the Basic Financial Statements  
 For the Years Ended December 31, 2002 and 2003

**7. FIXED ASSET MANAGEMENT - (continued)**

Statement of Changes in Fixed Assets  
 For the fiscal year ended December 31, 2002

Fixed Assets	Bal Jan 1, 2002	Additions	Deletions	Bal Dec 31, 2002
Land	\$ 265,147	\$ 0	\$ 0	\$ 265,147
Buildings	\$ 39,000	\$ 0	\$ 0	\$ 39,000
Treatment Facilities	\$ 2,727,616	\$ 0	\$ 0	\$ 2,727,616
Infrastructures	\$ 10,433,998	\$ 0	\$ 0	\$ 10,433,998
Machinery/Equip.	\$ 362,708	\$ 26,898	\$ 0	\$ 389,606
Total Fixed Assets In Service:	\$ 13,828,469	\$ 26,898	\$ 0	\$ 13,855,367
Less Accumulated Depreciation	\$ (5,331,151)	\$ (283,385)	\$ 0	\$ (5,614,536)
Construction in Progress	\$ 69,881	\$ 114,010	\$ 0	\$ 183,891
Net Fixed Assets	\$ 8,567,199	\$ (142,477)	\$ 0	\$ 8,424,722

**8. BUDGETARY DATA**

The District is not required to follow the budgetary rules of the Ohio Revised Code. The Board of Trustees adopts an annual budget which serves as a financial plan for the District. The legal level of control is at the fund level which allows management to adjust individual budget items within the overall budget available. Beginning in 2000, the District prepared a statement of estimated receipts, expenses, and debt charges expected to occur in the ensuing year as required by ORC 5705.28. The Board adopts an annual budget appropriation resolution based on the operating requirements, approved capital improvements and contingency fund commitments. Further, all purchases over \$1,000 require prior board approval which effectively appropriates the funds for the purchase. Project length budgets are prepared in addition to annual budgets for capital improvements. Encumbrances are used for complex purchases or those requiring several months delivery. Encumbrances expire at the end of the fiscal year and are reestablished for the next fiscal year. The budget is prepared on a Non-GAAP budget basis which omits depreciation and certain other accruals. A budget to actual comparison statement follows the notes to the financial statements. Except for construction project schedule changes for capital outlays, the budget modifications were typical for 2002 and 2003.

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
 Carroll and Tuscarawas Counties, Ohio  
 Notes to the Basic Financial Statements  
 For the Years Ended December 31, 2002 and 2003

**9. 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.

**10. BUDGET VS. GAAP RECONCILIATION**

While reporting financial position, results of operations and changes retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is founded on accounting for certain transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

The Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Budget Basis) and Actual - Proprietary Fund Type - Enterprise Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenses (budget basis) rather than a disclosure in the notes for proprietary fund types (GAAP basis).
4. The acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on a budget basis to the GAAP basis are as follows:

	<u>Net income/Excess of revenues and other financing sources over (under) expenses and other financing uses - Proprietary Fund</u>	
	<u>2003</u>	<u>2002</u>
GAAP basis	\$ (162,729)	\$ (114,047)
Adjustments:		
Revenue accruals	(7,877)	(8,012)
Expense accruals	<u>184,271</u>	<u>154,167</u>
Budget basis	<u>\$ 13,665</u>	<u>\$ 32,108</u>

ATWOOD REGIONAL WATER AND SEWER DISTRICT  
Carroll and Tuscarawas Counties, Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2002 and 2003

**11. CONTINGENCIES**

As of December 31, 2003, unpaid construction mechanic's liens against the District totaled \$104,755. These claims are expected to be resolved by the contractor, Myers Contracting or the project performance and payment bond surety, Gulf States Insurance Company. The District also has an unresolved warranty claim for \$52,232 against Superior Paving and Materials Inc. pending in Carroll County Common Pleas Court. Management is not aware of any other claims against the District.

On April 13, 2004, subsequent to the report period, Rodney Meyers, dba Myers Contracting filed a complaint against the District in Carroll County Common Pleas Court for construction change orders amounting to \$145,000. It is the opinion of the District legal Counsel that the outcome of this complaint will be favorable and not materially affect its financial position.

**Atwood Regional Water and Sewer District**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET TO ACTUAL COMPARISON (Non-GAAP basis)**  
**For the Years Ended December 31,**

	2002				2003			
	Initial budget	Final Budget	Actual	Variance	Initial Budget	Final Budget	Actual	Variance
<b>Operating Receipts:</b>								
Charges for Services:	\$ 735,825	\$ 777,539	\$ 777,413	\$ (126)	\$ 748,950	\$ 766,873	\$ 767,728	\$ 855
<b>Operating Expenses:</b>								
Personal Services:	\$ 344,488	\$ 341,671	\$ 302,276	\$ 39,395	\$ 351,768	\$ 343,424	\$ 308,119	\$ 35,305
Contractual Services:	\$ 18,850	\$ 33,947	\$ 22,156	\$ 11,791	\$ 16,150	\$ 57,430	\$ 45,370	\$ 12,060
Materials & Supplies:	\$ 54,500	\$ 102,216	\$ 62,435	\$ 39,781	\$ 55,800	\$ 79,000	\$ 78,540	\$ 460
Utilities:	\$ 70,700	\$ 70,700	\$ 62,732	\$ 7,968	\$ 68,700	\$ 66,364	\$ 66,364	\$ 0
Other Expenses:	\$ 25,450	\$ 28,209	\$ 26,945	\$ 1,264	\$ 31,850	\$ 31,950	\$ 31,885	\$ 65
<b>Total Expenses:</b>	<b>\$ 513,988</b>	<b>\$ 576,743</b>	<b>\$ 476,544</b>	<b>\$ 100,199</b>	<b>\$ 524,268</b>	<b>\$ 578,168</b>	<b>\$ 530,278</b>	<b>\$ 47,890</b>
<b>Net Operating Income (Loss):</b>	<b>\$ 221,837</b>	<b>\$ 200,796</b>	<b>\$ 300,869</b>	<b>\$ 100,073</b>	<b>\$ 224,682</b>	<b>\$ 188,705</b>	<b>\$ 237,450</b>	<b>\$ 48,745</b>
<b>Non-Operating Receipts (Expenses):</b>								
Rent, Royalty, & Interest :	\$ 6,617	\$ 5,480	\$ 5,190	\$ (290)	\$ 4,867	\$ 4,867	\$ 4,117	\$ (750)
Loan Proceeds:	\$ 0	\$ 81,127	\$ 81,127	\$ 0	\$ 650,263	\$ 650,263	\$ 349,854	\$ (300,409)
Debt Service:	\$ (215,704)	\$ (215,674)	\$ (214,170)	\$ 1,504	\$ (214,579)	\$ (219,822)	\$ (206,162)	\$ 13,660
Capital Asset Outlay:	\$ (105,000)	\$ (140,908)	\$ (140,908)	\$ 0	\$ (761,390)	\$ (650,263)	\$ (371,594)	\$ 278,669
<b>Total Non-Operating Receipts (Expenses):</b>	<b>\$ (314,087)</b>	<b>\$ (269,975)</b>	<b>\$ (268,761)</b>	<b>\$ 1,214</b>	<b>\$ (320,839)</b>	<b>\$ (214,955)</b>	<b>\$ (223,785)</b>	<b>\$ (8,830)</b>
<b>Net Income (Loss):</b>	<b>\$ (92,250)</b>	<b>\$ (69,179)</b>	<b>\$ 32,108</b>	<b>\$ 101,287</b>	<b>\$ (96,157)</b>	<b>\$ (26,250)</b>	<b>\$ 13,665</b>	<b>\$ 39,915</b>
<b>Retained Earnings Jan 1<sup>st</sup> :</b>	<b>\$ 301,196</b>	<b>\$ 301,196</b>	<b>\$ 301,196</b>	<b>\$ 0</b>	<b>\$ 333,304</b>	<b>\$ 333,304</b>	<b>\$ 333,304</b>	<b>\$ 0</b>
<b>Retained Earnings Dec 31<sup>st</sup>:</b>	<b>\$ 208,946</b>	<b>\$ 232,017</b>	<b>\$ 333,304</b>	<b>\$ 101,287</b>	<b>\$ 237,147</b>	<b>\$ 307,054</b>	<b>\$ 346,969</b>	<b>\$ 39,915</b>

## STATISTICAL SECTION



**ATWOOD REGIONAL WATER AND SEWER DISTRICT  
DEMOGRAPHIC SUMMARY 2003**

**EMPLOYMENT**

Employer:	Employees:
Atwood Lake Resort and Conference Center	111
Atwood Lake Boats	25
Muskingum Watershed Conservancy District	21
Carrollton Exempted Schools	21
Tuscarawas Valley Schools	17

Source: Atwood Regional Water and Sewer District

**COMMUNITY POPULATION (2000 Census)**

Subdivision:	Population:
Sherrodsville, Carroll County	316
Dellroy, Carroll County	294
Monroe Township, Carroll County	1,930
Warren Township, Tuscarawas County	1,194
Carroll County	29,166
Tuscarawas County	91,490

Source: US Census Bureau

**COMMUNITY TAX VALUATION**

Subdivision:	
Sherrodsville, Carroll County	\$ 2,073,588
Dellroy, Carroll County	\$ 3,033,287
Monroe Township, Carroll County	\$ 41,720,808
Warren Township, Tuscarawas County	\$ 15,635,695

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

Atwood Regional Water And Sewer District  
 Long Term Debt Service  
 Ten Year History

Fiscal Year	Loan Bal 12/31	Interest Paid	Debt Retired	Total Debt Svc
1993	\$ 1,402,082	\$ 112,788	\$ 27,413	\$ 140,201
1994	\$ 1,833,494	\$ 110,625	\$ 29,576	\$ 140,201
1995	\$ 1,845,938	\$ 133,694	\$ 40,555	\$ 174,249
1996	\$ 1,798,780	\$ 130,715	\$ 47,159	\$ 177,874
1997	\$ 1,748,485	\$ 127,509	\$ 50,365	\$ 177,874
1998	\$ 1,694,602	\$ 124,309	\$ 53,814	\$ 178,123
1999	\$ 1,910,039	\$ 126,126	\$ 57,527	\$ 183,653
2000	\$ 2,157,492	\$ 131,394	\$ 61,521	\$ 192,915
2001	\$ 2,085,031	\$ 147,361	\$ 72,461	\$ 219,822
2002	\$ 2,088,681	\$ 136,723	\$ 77,477	\$ 214,200
2003	\$ 2,355,667	\$ 123,294	\$ 82,869	\$ 206,163
Total		\$1,404,538	\$ 600,737	\$2,005,275

Source: Atwood Regional Water and Sewer District

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

Principal Customers

1. Atwood Resort (MWCD)
2. Atwood Lake Park (MWCD)
3. Atwood Yacht Club
4. Carrollton Exempted Schools (Dellroy Elementary)
5. Dellroy Laundromat
6. Atwood Lake Boats (Atlamar)
7. Tusky Valley Local Schools (New Cumberland Elementary)
8. Conotton Valley Local Schools (Sherrodsville Elementary)
9. U.S. Army Corps of Engineers (Park and Office)
10. Casablanca Restaurant

The District's customer base contains 1225 active accounts which represents the equivalent of 1790 residential users

Source: Atwood Regional Water and Sewer District

Atwood Regional Water and Sewer District  
TEN YEAR HISTORICAL SUMMARY

Revenues by Source

Year:	Charges for Svcs	Interest	Loans & Grants	Total
1993	\$466,903	\$6,478	\$0	\$473,381
1994	\$500,193	\$8,622	\$210,636	\$719,451
1995	\$546,748	\$15,890	\$245,434	\$808,072
1996	\$608,692	\$18,913	\$54,448	\$682,053
1997	\$577,515	\$16,207	\$0	\$593,722
1998	\$696,973	\$13,386	\$0	\$710,359
1999	\$620,713	\$9,679	\$272,963	\$903,355
2000	\$642,750	\$14,869	\$308,974	\$966,593
2001	\$717,221	\$7,433	\$0	\$724,654
2002	\$777,413	\$5,190	\$81,127	\$863,730
2003	\$767,728	\$4,117	\$349,854	\$1,121,699

Source: Atwood Regional Water and Sewer District

Atwood Regional Water and Sewer District  
TEN YEAR HISTORICAL SUMMARY

Expenditures by Type

	Personnel Services	Contract Services	Materials	Utilities	Other Operating Expense	Interest	Loan Ret	Other non-op exp
1993	\$194,113	\$8,111	\$126,877	\$61,023	\$21,950	\$116,077	\$27,413	\$0
1994	\$232,740	\$5,959	\$118,646	\$59,836	\$17,997	\$113,982	\$109,566	\$0
1995	\$284,455	\$14,086	\$170,365	\$55,319	\$27,243	\$133,854	\$40,395	\$600
1996	\$315,200	\$44,220	\$90,876	\$58,130	\$17,672	\$130,718	\$47,156	\$147
1997	\$303,240	\$45,162	\$111,613	\$60,117	\$17,536	\$127,509	\$50,365	\$0
1998	\$313,032	\$55,319	\$66,629	\$62,068	\$18,952	\$124,309	\$47,922	\$0
1999	\$333,983	\$39,937	\$59,373	\$64,857	\$17,028	\$126,156	\$57,527	\$197,383
2000	\$339,421	\$27,878	\$58,032	\$68,522	\$21,491	\$131,394	\$61,521	\$305,655
2001	\$327,065	\$18,833	\$44,595	\$66,071	\$24,063	\$147,361	\$72,461	\$0
2002	\$302,276	\$22,156	\$62,435	\$62,732	\$26,945	\$136,723	\$77,477	\$140,908
2003	\$308,119	\$45,370	\$78,540	\$66,364	\$31,885	\$123,294	\$82,868	\$371,594

Source: Atwood Regional Water and Sewer District

ATWOOD REGIONAL WATER AND SEWER DISTRICT

TEN YEAR OPERATIONS SUMMARY

YEAR	AVE DAILY FLOW (mgd)	EFFLUENT (ppm)			INFLUENT (ppm)			Yrly Oxygen Demand (tons)	Yrly Solids Removed (tons)
		BOD	SOLIDS	AMMONIA	BOD	SOLIDS	AMMONIA		
2003	0.334	2.650	3.117	2.090	274.700	131.750	10.000	138.37	65.43
2002	0.300	1.967	2.392	0.161	214.450	153.917	10.000	96.93	69.12
2001	0.282	1.717	1.860	0.578	191.033	190.667	10.000	81.24	81.02
2000	0.195	1.517	1.758	0.593	142.450	181.875	10.000	41.85	53.48
1999	0.215	1.475	1.717	0.620	157.317	163.575	10.000	50.88	52.84
1998	0.196	2.017	1.642	0.593	161.092	166.075	10.000	47.48	49.07
1997	0.165	1.742	1.800	0.563	151.508	146.575	10.000	37.57	36.32
1996	0.209	1.967	2.842	0.604	156.925	152.058	10.000	49.31	47.49
1995	0.164	2.658	2.342	0.469	162.575	157.075	10.000	39.98	38.68
1994	0.152	2.850	2.429	0.465	170.300	158.708	10.000	38.82	36.23
1993	0.166	2.542	2.533	0.683	133.775	143.283	9.813	33.14	35.54

**2003**

Annual Wastewater Treated:	109.40 Million Gallons
Annual Solids Removed:	65.43 Tons
Annual Biochemical Oxygen Demand (BOD) :	138.37 Tons
Annual Ammonia Removed:	4.02 Tons

**2003**

Average Daily Flow: 334,167 Gallons

Pollutant:	Daily Discharge Limits		Average Daily	
	ppm	lbs limits	Dischg (lbs)	Removed (lbs)
Suspended Solids:	8.0	22.30	8.69	358.49
Biochemical Oxygen Demand:	7.0	19.51	7.39	758.19
Ammonia:	1.5	4.18	5.82	22.05

AVG DAILY FLOW IN 1000 GALS	334.2	Operating cost/1000 gal:	\$7.19
Total 2003 in 1000 gal:	112,823	Debt svc per 1000 gal:	\$1.83
Total 2003 Expense other than Capital Improvements outlay:	\$811,282	Cost per 1000 gal:	\$9.02

Source: Atwood Regional Water and Sewer District

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***ATWOOD REGIONAL WATER AND  
SEWER DISTRICT***

**Audit Report**

**For the Years Ended December 31, 2002 and 2003**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants

**ATWOOD REGIONAL WATER AND SEWER DISTRICT**  
**Audit Report**  
**For the Years Ended December 31, 2002 and 2003**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
<b>Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>1-2</b>
<b>Status of Prior Year's Citations and Recommendations</b>	<b>3</b>

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

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614 W Superior Ave Ste 1242  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Trustees  
Atwood Regional Water and Sewer District  
Dellroy, Ohio**

We have audited the financial statements of the Atwood Regional Water and Sewer District as of and for the years ended December 31, 2002 and 2003, and have issued our report thereon dated June 8, 2004, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.**

*Charles E. Harris & Associates, Inc.*  
**June 8, 2004**

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

**The prior audit report, for the period ending December 31, 2000 and 2001, included no material citations or recommendations.**





**Auditor of State  
Betty Montgomery**

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**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  
AUGUST 17, 2004**