



Dave Yost • Auditor of State

**ATWOOD REGIONAL WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - For the Year Ended December 31, 2017	5
Notes to the Financial Statement - For the Year Ended December 31, 2017	7
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - For the Year Ended December 31, 2016	13
Notes to the Financial Statement - For the Year Ended December 31, 2016	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings (Prepared by Management).....	25

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Atwood Regional Water and Sewer District
Tuscarawas County
P.O. Box 100
Dellroy, Ohio 44620

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Atwood Regional Water and Sewer District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Atwood Regional Water and Sewer District, Tuscarawas County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2016, the District has elected to change its financial presentation to a cash basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D). This resulted in a restatement of fund balances. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2018

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Operating Cash Receipts:	
Charges for Services	\$ 1,049,930
Other Operating Receipts	9,969
	1,059,899
 Operating Cash Disbursements:	
Personal Services	359,861
Contractual Services	199,101
Materials, Supplies and Equipment	49,191
Utilities	132,979
Capital Outlay	1,076,472
Other Operating Expenses	86,379
	1,903,983
 Operating (Loss)	 (844,084)
 Non-Operating Cash Receipts:	
Rent, Royalties and Interest on Investments	2,834
Proceeds of Loans	1,209,941
Other Non-Operating Revenues	33,702
	1,246,477
 Non-Operating Cash Disbursements :	
Interest and Fiscal Charges	79,435
Debt Service	219,606
	299,041
 Net Receipts Over Disbursements	 103,352
 Cash Balances, January 1	 568,621
 Cash Balances, December 31	 \$ 671,973

The accompanying notes are an integral part of the financial statements.

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ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Atwood Regional Water and Sewer District (the District) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Shore Association, Sunset Valley Civic Association, Atwood Glens Associations, HARCATUS, Central Atwood Lake, the Village of Dellroy, the Village of Sherrodsville and the Muskingum Watershed Conservancy District appoint one member of the Board of Trustees to direct the District. There are 8 Board of Trustee members. Subdivisions within the District are Warren Township, Orange Township, Monroe Township, the Village of Sherrodsville, the Village of Dellroy, Carroll County and Tuscarawas County. The District provides sewer services to residents of the District.

B. ACCOUNTING BASIS

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. BUDGETARY PROCESS

The Ohio Revised Code requires that the operating fund of the District be budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

C. BUDGETARY PROCESS (CONTINUED)

Encumbrances: The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. A summary of 2017 budgetary activity appears in Note 3.

D. CASH AND CASH EQUIVALENTS

All deposits are maintained in checking accounts and money market savings accounts. The District also maintains a petty cash account.

E. 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, proceeds from loans, rents and royalties are examples of non-operating revenues.

F. 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 principal and loan interest is the most common non-operating expense.

G. CAPITAL ASSETS

The District records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to the Financial Statement
 For the Year Ended December 31, 2017
 (Continued)

2. DEPOSITS

At December 31, 2017, the carrying amount of the District's deposits were \$671,773, and the bank balance was \$677,470. All of the bank balances were covered by federal depository insurance, or collateralized through the Ohio Pooled Collateral System (OPCS). The District also held \$200 in petty cash.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$2,327,494	\$2,306,376	\$21,118

2017 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$2,322,070	\$2,203,024	\$119,046

4. DEBT ADMINISTRATION

Long-term debt consists of five loans from Ohio Water Development Authority (OWDA), and one principal only loan 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.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to the Financial Statement
 For the Year Ended December 31, 2017
 (Continued)

4. DEBT ADMINISTRATION (CONTINUED)

Non-Current Loans Payable Fiscal Year 2017

Obligation	Balance at Jan 1	Issued	Retired	Balance at Dec 31	Due 2018
Cooperative Loan Agreement (OWDA) 1994 Interest Rate 6.02% Mat: 1/1/2020	\$ 88,383	\$ 0	\$ 27,753	\$ 60,630	\$ 29,423
Cooperative Loan Agreement (OWDA) 1999 Interest Rate 5.7% Mat: 1/1/2026	\$ 188,481	\$ 0	\$ 16,502	\$ 171,979	\$ 17,467
Cooperative Loan Agreement (OWDA) 2002 Interest Rate 2.00% Mat: 1/1/2029	\$ 398,872	\$ 0	\$ 29,723	\$ 369,149	\$ 30,320
Cooperative Loan Agreement (OWDA) 2008 Planning Loan Interest Rate 1.5% Mat: 2038	\$ 1,015,024	\$ 0	\$ 37,259	\$ 977,765	\$ 37,819
Cooperative Loan Agreement (OWDA) 2015 Interest Rate 1.4% Mat: 9/30/2045	\$ 1,602,838	\$ 1,209,941	\$ 107,804	\$ 2,704,975	\$ 64,555
Cooperative Loan Agreement (OPWC) 2011 Interest Rate 0.0% Mat: 1/1/2032	\$ 16,981	\$ 0	\$ 565	\$ 16,416	\$ 1,132
Total Obligations	\$ 3,310,579	\$ 1,209,941	\$ 219,606	\$ 4,300,914	\$ 180,716

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>
2018	\$35,082	\$116,161	\$151,243
2019	\$31,099	\$120,145	\$151,244
2020	\$26,949	\$91,223	\$118,172
2021	\$24,582	\$93,589	\$118,171
2022	\$22,127	\$96,044	\$118,171
2023-2027	\$72,782	\$463,791	\$536,573
2028-2032	\$35,990	\$268,380	\$304,370
2033-2037	\$17,878	\$243,846	\$261,724
2038-2039	\$1,934	\$102,760	\$104,694
	\$268,423	\$1,595,939	\$1,864,362

Amortization information for the OWDA 2015 loan are excluded from the schedule as the project and total loan was not finalized until 2018.

5. RETIREMENT SYSTEM

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including post-retirement healthcare and survivor and disability benefits to participants.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

5. RETIREMENT SYSTEM (CONTINUED)

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2017.

6. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

7. 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.

8. CONTINGENCIES

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Cash Receipts:	
Charges for Services	\$ 1,071,598
Other Operating Receipts	<u>16,984</u>
Total Operating Cash Receipts	1,088,582
Operating Cash Disbursements:	
Personal Services	502,178
Contractual Services	119,258
Materials, Supplies and Equipment	60,601
Utilities	120,642
Capital Outlay	1,302,650
Other Operating Expenses	<u>59,138</u>
Total Operating Cash Disbursements	<u>2,164,467</u>
Operating (Loss)	(1,075,885)
Non-Operating Cash Receipts:	
Rent, Royalties and Interest on Investments	1,681
Proceeds of Loans	1,375,235
Other Non-Operating Revenues	<u>26,329</u>
Total Non-Operating Cash Receipts	<u>1,403,245</u>
Non-Operating Cash Disbursements :	
Interest and Fiscal Charges	74,536
Debt Service	173,296
Other Non-Operating Expenses	<u>990</u>
Total Non-Operating Cash Disbursements	<u>248,822</u>
Net Receipts Over Disbursements	78,538
Cash Balances, January 1, restated	<u>490,083</u>
Cash Balances, December 31	<u><u>\$ 568,621</u></u>

The accompanying notes are an integral part of the financial statements.

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ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Atwood Regional Water and Sewer District (the District) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. North Shore Association, Sunset Valley Civic Association, Atwood Glens Association, HARCATUS, Central Atwood Lake, the Village of Dellroy, the Village of Sherrodsville and the Muskingum Watershed Conservancy District appoint one member of the Board of Trustees to direct the District. There are 8 Board of Trustee members. Subdivisions within the District are Warren Township, Orange Township, Monroe Township, the Village of Sherrodsville, the Village of Dellroy, Carroll County and Tuscarawas County. The District provides sewer services to residents of the District.

B. ACCOUNTING BASIS

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. BUDGETARY PROCESS

The Ohio Revised Code requires that the operating fund of the District be budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

C. BUDGETARY PROCESS (CONTINUED)

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances: The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. A summary of 2016 budgetary activity appears in Note 4.

D. CASH AND CASH EQUIVALENTS

All deposits are maintained in checking accounts and money market savings accounts. The District also maintains a petty cash account.

E. 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, proceeds from loans, rents and royalties are examples of non-operating revenues.

F. 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 principal and loan interest is the most common non-operating expense.

G. CAPITAL ASSETS

The District records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to the Financial Statement
 For the Year Ended December 31, 2016
 (Continued)

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF FUND BALANCE

For fiscal year 2016, the District changed their basis of accounting for their financial reporting. Prior to fiscal year 2016, the District utilized the accrual basis of accounting and reported their financial statements and notes under the requirements of the Governmental Accounting Standards Board. Beginning with fiscal year 2016, the District reported their financial statements under the regulatory cash basis of accounting permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis and is contrary to the accrual basis of accounting.

A fund balance restatement is required to report their beginning fund balance under the regulatory cash basis of accounting. The fund balance has been restated at January 1, 2016 as follows:

Net position as previously reported	\$5,097,725
Prior year accounts receivable	(220,053)
Prior year noncurrent assets	(6,781,059)
Prior year deferred outflows of resources	(56,428)
Prior year current liabilities	131,062
Prior year noncurrent liabilities	2,313,667
Prior year deferred inflows of resources	<u>5,169</u>
Restated fund balance at January 1, 2016	<u><u>\$490,083</u></u>

3. CASH

At December 31, 2016, the carrying amount of the District's deposits was \$568,421, and the bank balance was \$576,357. All of the bank balances were covered by federal depository insurance and pledged securities. The District also held \$200 in petty cash.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to the Financial Statement
 For the Year Ended December 31, 2016
 (Continued)

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 as follows:

2016 Budgeted vs Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$4,412,376	\$2,491,827	\$1,920,549

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$4,412,130	\$2,413,289	\$1,998,841

5. DEBT ADMINISTRATION

Long-term debt consists of five loans from Ohio Water Development Authority (OWDA), and one principal only loan 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 2016

Obligation	Balance at Jan 1	Issued	Retired	Balance at Dec 31	Due 2017
Cooperative Loan Agreement (OWDA) 1994 Interest Rate 6.02% Mat: 1/1/2020	\$ 114,560	\$ 0	\$ 26,177	\$ 88,383	\$ 27,753
Cooperative Loan Agreement (OWDA) 1999 Interest Rate 5.77% Mat: 1/1/2026	\$ 204,070	\$ 0	\$ 15,589	\$ 188,481	\$ 16,502
Cooperative Loan Agreement (OWDA) 2002 Interest Rate 2.00% Mat: 1/1/2029	\$ 428,009	\$ 0	\$ 29,137	\$ 398,872	\$ 29,723
Cooperative Loan Agreement (OWDA) 2008 Planning Loan Interest Rate 1.5% Mat: 2038	\$ 1,051,730	\$ 0	\$ 36,706	\$ 1,015,024	\$ 37,259
Cooperative Loan Agreement (OWDA) 2015 Interest Rate 1.4% Mat: 1/1/2046	\$ 292,158	\$ 1,375,235	\$ 64,555	\$ 1,602,838	\$ 107,804
Cooperative Loan Agreement (OPWC) 2011 Interest Rate 0.0% Mat: 1/1/2032	\$ 18,113	\$ 0	\$ 1,132	\$ 16,981	\$ 1,132
Total Obligations	\$ 2,108,640	\$ 1,375,235	\$ 173,296	\$ 3,310,579	\$ 220,173

ATWOOD REGIONAL WATER AND SEWER DISTRICT
 Carroll and Tuscarawas Counties, Ohio
 Notes to the Financial Statement
 For the Year Ended December 31, 2016
 (Continued)

5. DEBT ADMINISTRATION (CONTINUED)

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

Year(s) Ending Dec 31 st :	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$38,877	\$112,369	\$151,246
2018	\$35,082	\$116,163	\$151,245
2019	\$31,099	\$120,145	\$151,244
2020	\$26,949	\$91,223	\$118,172
2021	\$24,582	\$93,589	\$118,171
2022-2026	\$84,544	\$479,171	\$563,715
2027-2031	\$40,632	\$301,857	\$342,489
2032-2036	\$21,495	\$240,229	\$261,724
2037-2039	\$4,041	\$152,995	\$157,036
	\$307,301	\$1,707,741	\$2,015,042

Amortization information for the OWDA 2015 loan are excluded from the schedule as the project and total loan were not finalized until 2018.

6. RETIREMENT SYSTEM

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including post-retirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2016.

7. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

ATWOOD REGIONAL WATER AND SEWER DISTRICT
Carroll and Tuscarawas Counties, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

8. 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.

9. CONTINGENCIES

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



Dave Yost • Auditor of State

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
P.O. 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 cash balances, receipts, and disbursements of the Atwood Regional Water and Sewer District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 4, 2018, wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit. This was a change in the District's basis of accounting for 2016, which resulted in a restated December 31, 2015 fund balance.

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 opinions 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 2017-001 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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2018

**ATWOOD WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

As a result of audit procedures performed, errors were noted in the District's financial statements that required the following audit adjustments to be made to the financial statements and notes to the financial statements:

- The District underreported Proceeds of Loans and Capital Outlay Disbursements by \$633,055 and \$981,008 in 2017 and 2016, respectively. This occurred as payments made directly to vendors by the Ohio Water Development Authority (OWDA) representing the activity of the District were not reported. Ohio Rev. Code § 5705.42 required this activity to be reported; and
- The notes to the financial statements improperly included capital asset disclosures and improperly excluded budgetary activity.

These adjustments were agreed to by management, and the financial statements were adjusted accordingly.

We also noted various insignificant adjustments and reclassifications as follows:

- Personal Services were understated by \$36,255 and Other Operating Expenses were overstated by \$36,255 in 2017. Personal Services were understated by \$21,212 and Other Operating Expenses were overstated by \$21,212 in 2016. The District's accounting system was on an accrual basis. When converting their financial statements to the cash basis of reporting, accrual adjustments for personal services were improperly reversed which caused this reporting error to occur;
- Other Operating Receipts and Personal Services disbursements were overstated by \$16,250 in 2016. This occurred as collections from employee pay for medical benefits were improperly accumulated and reported as a receipt. This method of reporting would have been proper if the District reported internal service funds. However, as it does not, the District should have not reported these receipts as revenue and used the amounts to decrease Personal Service disbursements; and
- Interest and Other Fiscal Charges were overstated by \$10,806 and Other Operating Expenses were understated by \$10,806 in 2016 as more interest was reported as paid than what the District actually paid.

Failure to properly report on-behalf financial activity could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the District's financial position and operations.

**ATWOOD WATER AND SEWER DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2017-001 (Continued)

Material Weakness (Continued)

We recommend the District take the necessary steps to ensure that all revenues, disbursements and note disclosures of the District are properly presented and disclosed in the District's financial statements and notes to the financial statements that are filed on the Hinkle system.

Officials' Response: Atwood Regional Water and Sewer District has reviewed the findings and will make the necessary adjustments. The District will make sure that any adjustments made in the future will be made appropriately.



Atwood Regional Water and Sewer District

PO Box 100 • Dellroy, OH 44620

Telephone: 330.343.2113

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 & DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting – material adjustments	Repeat	The District has gone to Cash Basis Reporting

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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 18, 2018**