

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2016





Dave Yost • Auditor of State

Board of Directors
Buckeye Water District
1925 Clark Avenue
Wellsville, OH 43968

We have reviewed the *Independent Auditor's Report* of the Buckeye Water District, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. 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 Buckeye Water District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 24, 2018

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY
AUDIT REPORT
For the Year Ending December 31, 2016**

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

INDEPENDENT AUDITOR'S REPORT

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Buckeye Water District, Columbiana County, Ohio (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Buckeye Water District, Columbiana County, Ohio, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 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. The purpose of that report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control 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 and compliance.



Charles E. Harris & Associates, Inc.
August 16, 2018

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of the Buckeye Water District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

The District's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board (GASB). The financial information of the District is accounted for in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets greater than or equal to \$5,000 for all items are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this management's discussion and analysis are the basic financial statements of the District together with the notes, which are essential to a full understanding of the data contained in the financial statements. Included in the financial statements for the District are the following:

- Statement of Net Position – This statement presents information on all of the District's assets and deferred outflows of resources and all of the District's liabilities and deferred inflows of resources, with the difference between the two reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position – This statement includes all operating and nonoperating revenues and expenses for the District and shows the change in the District's net position during the most recent year.
- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and investing activities. A reconciliation of operating income with cash provided from operations is included.

Financial Highlights

The District's financial position decreased from 2015 to 2016, as indicated by the decrease in total net position of \$1,009,798. The decrease can be mainly attributed to a significant increase in contractual service expenses.

During 2016, the District received \$2,432,953 of a \$3,100,000 USDA loan issued for the purpose of paying off the Village of the Salineville debt that the District had been paying on, as well as the promissory note with Columbiana County. As of December 31, 2016, the District has paid off the Village debt, but not the promissory note.

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Financial Position

Table 1 focuses on the District's financial position and the results of operations for 2016 compared to 2015:

| Table 1 | | | |
|---------------------------------------|----------------------|--------------------|----------------------|
| Net Position | | | |
| | 2016 | 2015 | Change |
| Assets | | | |
| Current and Other Assets | \$3,559,940 | \$1,655,248 | \$1,904,692 |
| Capital Assets, Net | 23,439,491 | 24,597,565 | (1,158,074) |
| <i>Total Assets</i> | <i>26,999,431</i> | <i>26,252,813</i> | <i>746,618</i> |
| Deferred Outflows of Resources | | | |
| Pension | 463,656 | 128,076 | 335,580 |
| Liabilities | | | |
| Current and Other Liabilities | 1,400,534 | 1,256,709 | (143,825) |
| Long-Term Liabilities: | | | |
| Net Pension Liability | 1,071,667 | 668,427 | (403,240) |
| Other Amounts | 26,812,375 | 25,276,408 | (1,535,967) |
| <i>Total Liabilities</i> | <i>29,284,576</i> | <i>27,201,544</i> | <i>(2,083,032)</i> |
| Deferred Inflows of Resources | | | |
| Pension | 20,707 | 11,743 | (8,964) |
| Net Position | | | |
| Net Investment in Capital Assets | (1,387,605) | 184,071 | (1,571,676) |
| Restricted for Debt | 420,000 | 420,000 | 0 |
| Unrestricted (Deficit) | (874,591) | (1,436,469) | 561,878 |
| <i>Total Net Position</i> | <i>(\$1,842,196)</i> | <i>(\$832,398)</i> | <i>(\$1,009,798)</i> |

The net pension liability is reported pursuant to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed as follows, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

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

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

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Current assets increased from 2015 due to a significant increase in equity in pooled cash and cash equivalents. The increase in equity in pooled cash and cash equivalents primarily resulted from an increase in cash flows from capital and related financing activities related to the issuance of a USDA loan.

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

A portion of the District's net position reflects investments in capital assets (e.g. land, buildings, improvements, equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Capital assets decreased from 2015 due to current year depreciation exceeding capital asset additions.

Long-term liabilities other than the net pension liability increased from 2015 due to a new USDA loan issued during 2016.

The District's financial position decreased from 2015 to 2016, as indicated by the decrease in total net position of \$1,009,798. The decrease can be mainly attributed to an increase in contractual service expenses. This increase was due to the District paying off the Village of Salineville debt on behalf of the Village.

Table 2 shows the change in net position for the year ended December 31, 2016, compared to 2015.

Table 2
Change in Net Position

| | 2016 | 2015 | Change |
|--------------------------------|-----------------------------|---------------------------|-----------------------------|
| Revenues | | | |
| Operating Revenue | \$4,756,222 | \$3,612,943 | \$1,143,279 |
| Non-Operating Revenue | 3,370 | 104,765 | (101,395) |
| <i>Total Revenue</i> | <u>4,759,592</u> | <u>3,717,708</u> | <u>1,041,884</u> |
| Expenses | | | |
| Operating Expenses | 5,600,399 | 4,527,847 | (1,072,552) |
| Interest and Fiscal Charges | 818,747 | 835,988 | 17,241 |
| <i>Total Expenses</i> | <u>6,419,146</u> | <u>5,363,835</u> | <u>(1,055,311)</u> |
| <i>Income (Loss) Before</i> | | | |
| <i>Capital Contributions</i> | (1,659,554) | 3,717,708 | 1,041,884 |
| Capital Contributions | <u>649,756</u> | <u>0</u> | <u>649,756</u> |
| <i>Change in Net Position</i> | (1,009,798) | (1,646,127) | (13,427) |
| Net Position Beginning of Year | <u>(832,398)</u> | <u>813,729</u> | <u>(1,646,127)</u> |
| Net Position End of Year | <u><u>(\$1,842,196)</u></u> | <u><u>(\$832,398)</u></u> | <u><u>(\$1,009,798)</u></u> |

Operating revenues increased from 2015 due to increases in all categories, most prominently charges for services revenues.

Non-operating revenues decreased from 2015 mainly due to a capital grant that was received in 2015 that was not received again in 2016.

The increase in operating expenses from 2015 was primarily a result of increases in contractual services. This increase was due to the District paying off the Village of Salineville debt on behalf of the Village.

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The District's expenses exceeded its revenues by \$1,659,554, excluding capital contributions.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2016 balances compared to 2015.

Table 3
Capital Assets

| | 2016 | 2015 |
|---------------------------|--------------|--------------|
| Land | \$487,620 | \$468,990 |
| Construction in Progress | 344,508 | 0 |
| Building and Improvements | 12,430,510 | 12,657,089 |
| Equipment and Machinery | 2,118,385 | 3,016,439 |
| Vehicles | 91,782 | 51,697 |
| Water Tank | 291,519 | 378,046 |
| Infrastructure: | | |
| Water Lines | 7,675,167 | 8,025,304 |
| Totals | \$23,439,491 | \$24,597,565 |

All capital assets are reported net of depreciation. The decrease was due to an additional year of depreciation being taken. The District has been very aggressive in pursuing funding to assist in the financing of infrastructure projects. See Note 5 to the basic financial statements for additional information on the District's capital assets.

Debt

Table 4 summarizes the District's debt outstanding.

Table 4
Debt

| | 2016 | 2015 |
|-----------------|--------------|--------------|
| OPWC Loans | \$874,181 | \$954,508 |
| OWDA Loans | 8,873,495 | 9,435,186 |
| Revenue Bonds | 16,256,653 | 14,023,800 |
| Promissory Note | 1,500,000 | 1,500,000 |
| Total | \$27,504,329 | \$25,913,494 |

Buckeye Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The District continues to monitor its outstanding debt. See Note 6 to the basic financial statements for additional information on the District's long-term obligations.

Current Issues

In conclusion, the Buckeye Water District is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent water to the customers of the District.

Contacting the District's Management

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tiffany Chetock, Fiscal Officer, at Buckeye Water District, 1925 Clark Avenue, P.O. Box 105, Wellsville, Ohio 43968 or email at tchetock@buckeyewater.com.

Buckeye Water District
Statement of Fund Net Position
December 31, 2016

| | |
|--|----------------------|
| Assets | |
| <i>Current Assets:</i> | |
| Equity in Pooled Cash and Cash Equivalents | \$2,234,760 |
| Accounts Receivable | 776,641 |
| Prepaid Items | 34,985 |
| Materials and Supplies Inventory | 93,554 |
| <i>Total Current Assets</i> | <u>3,139,940</u> |
| <i>Noncurrent Assets:</i> | |
| <i>Restricted Assets:</i> | |
| Equity in Pooled Cash and Cash Equivalents | 420,000 |
| <i>Capital Assets:</i> | |
| Nondepreciable Capital Assets | 832,128 |
| Depreciable Capital Assets, Net | 22,607,363 |
| <i>Total Noncurrent Assets</i> | <u>23,859,491</u> |
| <i>Total Assets</i> | <u>26,999,431</u> |
| Deferred Outflows of Resources | |
| Pension | 463,656 |
| Liabilities | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 34,744 |
| Accrued Wages | 16,082 |
| Contracts Payable | 6,588 |
| Intergovernmental Payable | 76,320 |
| Accrued Interest Payable | 277,326 |
| Compensated Absences Payable | 70,323 |
| OPWC Loans Payable | 80,327 |
| OWDA Loans Payable | 570,824 |
| Revenue Bonds | 268,000 |
| <i>Total Current Liabilities</i> | <u>1,400,534</u> |
| <i>Long-Term Liabilities (net of current portion):</i> | |
| Compensated Absences Payable | 227,197 |
| OPWC Loans Payable | 793,854 |
| OWDA Loans Payable | 8,302,671 |
| Revenue Bonds Payable | 15,988,653 |
| Promissory Note Payable | 1,500,000 |
| Net Pension Liability (See Note 7) | 1,071,667 |
| <i>Total Long-Term Liabilities</i> | <u>27,884,042</u> |
| <i>Total Liabilities</i> | <u>29,284,576</u> |
| Deferred Inflows of Resources | |
| Pension | 20,707 |
| Net Position | |
| Net Investment in Capital Assets | (1,387,605) |
| Restricted for Debt Service | 420,000 |
| Unrestricted (Deficit) | (874,591) |
| <i>Total Net Position</i> | <u>(\$1,842,196)</u> |

See accompanying notes to the basic financial statements

Buckeye Water District
*Statement of Revenues, Expenses and
 Changes in Fund Net Position
 For the Year Ended December 31, 2016*

| | |
|--|----------------------|
| <hr/> <hr/> | |
| Operating Revenues | |
| Charges for Services | \$4,458,578 |
| Tap-In Fees | 94,191 |
| Other | 203,453 |
| | <hr/> |
| <i>Total Operating Revenues</i> | <i>4,756,222</i> |
| | <hr/> |
| Operating Expenses | |
| Salaries and Wages | 778,549 |
| Fringe Benefits | 521,464 |
| Contracted Services | 1,532,217 |
| Materials and Supplies | 255,971 |
| Other Operating Expenses | 494 |
| Depreciation | 2,511,704 |
| | <hr/> |
| <i>Total Operating Expenses</i> | <i>5,600,399</i> |
| | <hr/> |
| <i>Operating Loss</i> | <i>(844,177)</i> |
| | <hr/> |
| Non-Operating Revenues (Expenses) | |
| Interest | 3,370 |
| Interest and Fiscal Charges | (818,747) |
| | <hr/> |
| <i>Total Non-Operating Revenues (Expenses)</i> | <i>(815,377)</i> |
| | <hr/> |
| <i>Loss Before Capital Contributions</i> | <i>(1,659,554)</i> |
| | <hr/> |
| Capital Contributions | 649,756 |
| | <hr/> |
| <i>Change in Net Position</i> | <i>(1,009,798)</i> |
| | <hr/> |
| <i>Net Position Beginning of Year</i> | <i>(832,398)</i> |
| | <hr/> |
| <i>Net Position End of Year</i> | <i>(\$1,842,196)</i> |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements

Buckeye Water District
Statement of Cash Flows
For the Year Ended December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

| | |
|--|------------------|
| Cash Received from Sales | \$4,062,056 |
| Other Cash Receipts | 203,453 |
| Cash Payments to Employees for Services | (1,205,372) |
| Cash Payments for Goods and Services | (1,692,186) |
| Other Cash Payments | (494) |
| | <hr/> |
| <i>Net Cash Provided by Operating Activities</i> | <i>1,367,457</i> |

Cash Flows from Noncapital Financing Activities

| | |
|-------------------------------------|----------|
| Interest Payments - Promissory Note | (15,000) |
| | <hr/> |

Cash Flows from Capital and Related Financing Activities

| | |
|--|---------------|
| USDA Loans Issued | 2,432,953 |
| Purchase of Capital Assets | (703,874) |
| Principal Payments - OPWC Loans | (80,327) |
| Principal Payments - OWDA Loans | (561,691) |
| Principal Payments - Revenue Bonds | (200,100) |
| Interest Payments - OWDA Loans | (178,522) |
| Interest Payments - Revenue Bonds | (631,372) |
| | <hr/> |
| <i>Net Cash Provided by Capital and Related Financing Activities</i> | <i>77,067</i> |

Cash Flows from Investing Activities

| | |
|-------------------------|-------|
| Interest on Investments | 3,370 |
| | <hr/> |

Net Increase in Cash and Cash Equivalents 1,432,894

Cash and Cash Equivalents Beginning of Year 1,221,866

Cash and Cash Equivalents End of Year \$2,654,760

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

| | |
|---|----------------------------------|
| Operating Loss | (\$844,177) |
| Adjustments: | |
| Depreciation | 2,511,704 |
| (Increase) Decrease in Assets: | |
| Accounts Receivable | (490,713) |
| Materials and Supplies | 19,388 |
| Prepaid Items | (473) |
| (Increase) Decrease in Deferred Outflows of Resources - Pension | (335,580) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 5,782 |
| Accrued Wages | 4,668 |
| Contracts Payable | 6,588 |
| Intergovernmental Payable | 55,685 |
| Compensated Absences Payable | 22,381 |
| Net Pension Liability | 403,240 |
| Increase (Decrease) in Deferred Inflows of Resources - Pension | 8,964 |
| | <hr/> |
| <i>Net Cash Provided by Operating Activities</i> | <i><u><u>\$1,367,457</u></u></i> |

Noncash Capital Financing Activities

During 2016, the District received water lines from the Village of Salineville valued at \$649,756

See accompanying notes to the basic financial statements

Buckeye Water District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
Unaudited

Note 1 – Description of the Entity

The Buckeye Water District, Columbiana County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was formed in 1996 pursuant to Chapter 6119 of the Ohio Revised Code. The District is directed by a 9-member Board of Directors comprised of three members appointed by the Columbiana County Board of Commissioners, three members appointed by the Township Trustees of the townships which comprise part of the District and three members are appointed by the Mayor or Village Council of the Village of Wellsville. Subdivisions within the District are: the Village of Wellsville, Madison, Yellow Creek, Salem, and Middletown Townships and the unincorporated portions of Saint Clair and Liverpool Townships. The District provides water services to residents of the District.

In accordance with the Statements of the Governmental Accounting Standards Board, including GASB No. 14 “The Financial Reporting Entity” as amended by GASB No. 61 “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”, the accompanying financial statements include all funds and activities over which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described as follows.

Basis of Presentation

The District’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The District uses enterprise accounting to maintain its financial records during the year. Enterprise accounting focuses on the determination of operating income, change in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The operations of the District are reported as a single enterprise fund.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Buckeye Water District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
Unaudited

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources includes pension reported in the statement of net position. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 7).

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The District had no investments in 2016.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

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Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets represent amounts set aside to satisfy bond indenture requirements for current and future debt payments.

Capital Assets

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at the acquisition values as of the date received. The capitalization threshold is \$5,000. The District's infrastructure consists of waterlines and includes infrastructure acquired by the District since 1996. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 25 - 40 years |
| Equipment and Machinery | 5 - 10 years |
| Vehicles | 5 years |
| Water Tank | 15 years |
| Infrastructure | 25 - 40 years |

Compensated Absences

Vacation 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for all accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the District has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments in the next twenty years). The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the District's termination policy.

Pensions

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

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Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are for consumer water consumption. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the District. All revenues and expenses not meeting these definitions are reported as non-operating.

Estimates

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

Note 3 – Changes in Accounting Principles

For 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the District’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the District’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the District’s financial statements.

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GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The District participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The District incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Deposits and Investments

State statutes require the classification of monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Interim monies may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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4. Time certificates of deposit or savings or deposit account including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and
8. Written repurchase agreements in the securities described in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage of short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Protection of the District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited that are not covered by FDIC. Collateral is held in the District's name by trustees including the Federal Reserve Bank and designated third parties of the financial institution. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

At year-end, the carrying amount of the District's deposits was \$2,739,424 and the bank balance was \$2,738,427. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," none of the District's bank balance was exposed to custodial credit risk as described previously.

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Notes to the Basic Financial Statements
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Note 5 – Capital Assets

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

| | Balance 12/31/2015 | Additions | Deductions | Balance 12/31/2016 |
|---|-----------------------|----------------------|------------|-----------------------|
| Capital Assets not being depreciated: | | | | |
| Land | \$468,990 | \$18,630 | \$0 | \$487,620 |
| Construction in Progress | 0 | 344,508 | 0 | 344,508 |
| Total Capital Assets being depreciated | <u>468,990</u> | <u>363,138</u> | <u>0</u> | <u>832,128</u> |
| Capital Assets being depreciated: | | | | |
| Building and Improvements | 17,936,829 | 692,952 | 0 | 18,629,781 |
| Equipment and Machinery | 9,586,897 | 0 | 0 | 9,586,897 |
| Vehicles | 550,737 | 66,765 | 0 | 617,502 |
| Water Tank | 1,297,897 | 0 | 0 | 1,297,897 |
| Infrastructure: | | | | |
| Waterlines | 11,966,836 | 230,775 | 0 | 12,197,611 |
| Total Capital Assets being depreciated | <u>41,339,196</u> | <u>990,492</u> | <u>0</u> | <u>42,329,688</u> |
| Less Accumulated Depreciation: | | | | |
| Building and Improvements | (5,279,740) | (919,531) | 0 | (6,199,271) |
| Equipment and Machinery | (6,570,458) | (898,054) | 0 | (7,468,512) |
| Vehicles | (499,040) | (26,680) | 0 | (525,720) |
| Water Tank | (919,851) | (86,527) | 0 | (1,006,378) |
| Infrastructure: | | | | |
| Waterlines | (3,941,532) | (580,912) | 0 | (4,522,444) |
| Total Accumulated Depreciation | <u>(17,210,621)</u> | <u>(2,511,704)</u> | <u>0</u> | <u>(19,722,325)</u> |
| Total Capital Assets being Depreciated, net | <u>24,128,575</u> | <u>(1,521,212)</u> | <u>0</u> | <u>22,607,363</u> |
| Total Capital Assets, net | <u>\$24,597,565</u> | <u>(\$1,158,074)</u> | <u>\$0</u> | <u>\$23,439,491</u> |

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Note 6 – Long-Term Obligations

The original issue date, maturity date, interest rate and original issuance amount for each of the District's bonds and loans follow:

| | Issue Date | Maturity Date | Interest Rate | Original Issue Amount |
|---|---------------|------------------|------------------|--------------------------|
| <i>Ohio Public Works Commission Loans:</i> | | | | |
| Wellsville Water Treatment Plant Improvements | 2003 | 2023 | 0.000 % | \$268,028 |
| State Route 39 Water Main Feeder | 2003 | 2026 | 0.000 | 783,000 |
| District Water Meter Replacement | 2014 | 2030 | 0.000 | 416,646 |
| <i>Ohio Water Development Authority Loans:</i> | | | | |
| Transmission Main, Pump Station and Intake | 2006 | 2029 | 2.000 | Not Finalized |
| Salineville Waterline Extension | 2009 | 2040 | 0.000 | 662,137 |
| <i>Revenue Bonds:</i> | | | | |
| 2002 Series | 2002 | 2042 | 4.500 | 1,498,000 |
| 2008 Series | 2008 | 2048 | 4.500 | 13,800,000 |
| 2016 Series | 2016 | 2056 | 1.375 | 3,100,000 |
| <i>Promissory Note:</i> | | | | |
| Columbiana County | 2013 | 2018 | 1.000 | 1,500,000 |

Changes in long-term obligations during the year ended December 31, 2016, consisted of the following:

| | Balance 12/31/15 | Increase | Decrease | Balance 12/31/16 | Amounts Due in One Year |
|--|---------------------|--------------------|------------------|---------------------|-------------------------------|
| <i>Ohio Public Works Commission Loans :</i> | | | | | |
| Wellsville Water Treatment Plant Improvements | \$107,212 | \$0 | \$13,401 | \$93,811 | \$13,401 |
| State Route 39 Water Main Feeder | 430,650 | 0 | 39,150 | 391,500 | 39,150 |
| District Water Meter Replacement | 416,646 | 0 | 27,776 | 388,870 | 27,776 |
| <i>Total Ohio Public Works Commission Loans</i> | 954,508 | 0 | 80,327 | 874,181 | 80,327 |
| <i>Ohio Water Development Authority Loans :</i> | | | | | |
| Transmission Main, Pump Station and Intake | 9,014,006 | 0 | 544,500 | 8,469,506 | 553,633 |
| Salineville Waterline Extension | 421,180 | 0 | 17,191 | 403,989 | 17,191 |
| <i>Total Ohio Water Development Authority Loans</i> | 9,435,186 | 0 | 561,691 | 8,873,495 | 570,824 |
| <i>Revenue Bonds :</i> | | | | | |
| 2002 Series | 1,257,800 | 0 | 24,700 | 1,233,100 | 26,000 |
| 2008 Series | 12,766,000 | 0 | 175,400 | 12,590,600 | 183,400 |
| 2016 Series | 0 | 2,432,953 | 0 | 2,432,953 | 58,600 |
| <i>Total Revenue Bonds</i> | 14,023,800 | 2,432,953 | 200,100 | 16,256,653 | 268,000 |
| <i>Other Long-Term Obligations :</i> | | | | | |
| Promissory Note | 1,500,000 | 0 | 0 | 1,500,000 | 0 |
| Compensated Absences Payable | 275,139 | 93,569 | 71,188 | 297,520 | 70,323 |
| Net Pension Liability - OPERS | 668,427 | 403,240 | 0 | 1,071,667 | 0 |
| <i>Total Other Long-Term Obligations</i> | 2,443,566 | 496,809 | 71,188 | 2,869,187 | 70,323 |
| <i>Total</i> | \$26,857,060 | \$2,929,762 | \$913,306 | \$28,873,516 | \$989,474 |

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In April 2013, the District entered into a promissory note agreement with the Columbiana County Board of Commissioners in the amount of \$1,500,000 to resolve litigation with the City of East Liverpool. The District is paying an annual interest rate of 1 percent, and the full principal amount is due in 2018.

The District has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans, revenue bonds, and the promissory note. The debt is payable solely from net revenues through 2048. Annual principal and interest payments on the debt issues are expected to require 149 percent of net revenues. The total principal remaining to be paid on the debt is \$27,504,329. Principal and interest paid for the current year and net revenues were \$1,666,712 and \$1,118,152, respectively.

In December 2016, the District issued \$3,100,000 in Water System Improvement Revenue Bonds for the purpose of paying off USDA loans that the District was paying on behalf of the Village of Salineville, as well as paying off the Promissory Note due to Columbiana County. However, only \$2,432,953 of the proceeds were received by the District as of December 31, 2016. Therefore, the Bonds are not finalized and are not included in the schedule of future annual debt service requirements.

A line of credit has been established with the Ohio Water Development Authority (OWDA) in the amount of \$11,870,111 for a transmission main, pump station and intake project. This loan will not have an accurate repayment schedule until the loan is finalized and, therefore, is not included in the schedule of future annual debt service requirements. Until a final repayment schedule is available, the District will pay based on estimates. The balance of the loan as of December 31, 2016, is \$8,469,506.

| Year | OPWC Loans | OWDA Loan | Revenue Bonds | | Promissory Note | |
|-----------|---------------|--------------|---------------|--------------|-----------------|----------|
| | | | Principal | Interest | Principal | Interest |
| 2017 | \$80,327 | \$17,191 | \$209,400 | \$622,067 | \$0 | \$15,000 |
| 2018 | 80,328 | 17,191 | 218,600 | 612,644 | 1,500,000 | 15,000 |
| 2019 | 80,329 | 17,191 | 228,500 | 602,807 | 0 | 0 |
| 2020 | 80,328 | 17,191 | 238,900 | 592,524 | 0 | 0 |
| 2021 | 80,328 | 17,191 | 249,600 | 581,774 | 0 | 0 |
| 2022-2026 | 361,435 | 85,955 | 1,426,800 | 2,729,953 | 0 | 0 |
| 2027-2031 | 111,106 | 85,955 | 1,777,900 | 2,378,706 | 0 | 0 |
| 2032-2036 | 0 | 85,955 | 2,215,900 | 1,940,995 | 0 | 0 |
| 2037-2041 | 0 | 60,169 | 2,761,000 | 1,395,528 | 0 | 0 |
| 2042-2046 | 0 | 0 | 3,092,800 | 738,407 | 0 | 0 |
| 2047-2051 | 0 | 0 | 1,404,300 | 95,486 | 0 | 0 |
| Total | \$874,181 | \$403,989 | \$13,823,700 | \$12,290,891 | \$1,500,000 | \$30,000 |

Note 7 – Defined Benefit Pension Plan

Net Pension Liability

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

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The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description

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

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

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

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| Group A | Group B | Group C |
|--|--|--|
| Eligible to retire prior to January 7, 2013, or 5 years after January 7, 2013 | 20 years of service credit prior to January 7, 2013, or eligible to retire 10 years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: | Age and Service Requirements: | Age and Service Requirements: |
| Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: | Formula: | Formula: |
| 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

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

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

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

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

| | |
|---|----------------------------|
| | <u>State and Local</u> |
| 2016 Statutory Maximum Contribution Rates: | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2016 Actual Contribution Rates: | |
| Employer: | |
| Pension | 12.0 % |
| Post-employment Health Care Benefits | 2.0 |
| Total Employer | <u>14.0 %</u> |
| Employee | <u>10.0 %</u> |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was \$97,326 for 2016. Of this amount, \$7,415 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS |
|--|-------------|
| Proportion of the Net Pension Liability: | |
| Current Measurement Date | 0.0061870% |
| Prior Measurement Date | 0.0055420% |
| Change in Proportionate Share | 0.0006450% |
| | |
| Proportionate Share of the Net Pension Liability | \$1,071,667 |
| Pension Expense | \$173,950 |

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

| | OPERS |
|---|-----------|
| Deferred Outflows of Resources: | |
| Net difference between projected and actual earnings on pension plan investments | \$315,003 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 51,327 |
| District contributions subsequent to the measurement date | 97,326 |
| Total Deferred Outflows of Resources | \$463,656 |
| | |
| Deferred Inflows of Resources: | |
| Differences between expected and actual experience | \$20,707 |

\$97,326 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS |
|--------------------------|-----------|
| Year Ending December 31: | |
| 2017 | \$92,577 |
| 2018 | 97,614 |
| 2019 | 84,146 |
| 2020 | 71,286 |
| Total | \$345,623 |

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Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented as follows.

| | |
|--|--|
| Wage Inflation | 3.75 percent |
| Future Salary Increases, including inflation COLA or Ad Hoc COLA: | 4.25 to 10.05 percent including wage inflation |
| Pre-January 7, 2013 Retirees | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.8 percent, simple |
| Investment Rate of Return | 8 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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

Buckeye Water District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
Unaudited

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 20.70 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 18.30 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.27 % |

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$1,707,426 | \$1,071,667 | \$535,423 |

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Note 8 – Post-Employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage, commonly referred to as OPEB (other postemployment benefits). The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

Buckeye Water District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
Unaudited

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, the City contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care 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. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2016, 2015, and 2014 were \$16,221, \$15,402, and \$13,588, respectively; 92.38 percent has been contributed for 2016 and 100 percent for 2015 and 2014. \$1,236 representing the unpaid contribution for fiscal year 2016 is recorded as an intergovernmental payable. The actual contribution and the actuarially required contribution amounts are the same.

Buckeye Water District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
Unaudited

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. During 2016, the District obtained commercial insurance through Cooper Insurance Agency, Incorporated, for all insurance. The coverage and deductibles are as follows:

| <u>Type of Coverage</u> | <u>Coverage</u> | <u>Deductible</u> |
|-------------------------|---------------------|-------------------|
| Automobile Liability | \$1,000,000 | \$0 |
| General Liability | 3,000,000 aggregate | 0 |
| Property Liability | 31,372,735 | 2,500 |
| Inland Marine | 803,182 | 500 |

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 10 – Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. District employees are paid for earned, unused vacation leave at the time of termination of employment. Sick leave is earned at the rate of one and one quarter days per month of service. Upon retirement, employees are paid up to 120 days of the accumulated sick leave.

Insurance Benefits

The District provides medical/surgical, prescription drug, vision, and dental insurance through Medical Mutual and life insurance through Companion Life Insurance to all eligible employees.

Note 11 – Litigation

The District is not currently a party to any legal proceedings which would have a material impact on the financial statements.

Note 12 – Transfer Agreement

On April 25, 2007, the District entered into a management agreement with the Village of Salineville (the Village). The Village is the owner and operator of a certain water supply treatment facility and a water distribution system (Salineville Water System) located in Columbiana County, Ohio consisting of certain real estate and improvements thereon. The Village is also the owner of certain personal property, real property easements, rights of way and improvements thereon utilized for the operations of the Salineville Water

Buckeye Water District
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016
Unaudited

System. The Village appointed and designated the District as the manager of the Salineville Water System. During 2016, transfer of ownership was completed via a transfer agreement that set forth all terms, conditions, obligations and responsibilities of the Parties including financial compensation from the District to the Village in the amount of \$933,128. All necessary governmental approvals including, but not limited to, the Ohio EPA and applicable funding authorities to whom the Village is currently indebted was obtained.

The District agreed to use water revenues to pay debt service on the Salineville Water System. During 2016, the District paid \$73,745 towards the payment of debt service. These payments are reflected as a contractual service on the financial statements. As of December 31, 2016, the District has issued USDA loans partially for the purpose of paying off the Village debt that the District was paying on.

Note 13 – Contractual Commitment

The District has a verbal agreement with Columbiana County whereby the District pays approximately \$32,300 annually towards OPWC loans. This payment is reflected as contracted services on the financial statements.

Buckeye Water District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
*Last Three Years (1) **

| | 2016 | 2015 | 2014 |
|---|-------------|------------|------------|
| District's Proportion of the Net Pension Liability | 0.0061870% | 0.0055420% | 0.0055420% |
| District's Proportionate Share of the Net Pension Liability | \$1,071,667 | \$668,427 | \$653,330 |
| District's Covered Payroll | \$770,092 | \$679,417 | \$615,713 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 139.16% | 98.38% | 106.11% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 81.08% | 86.45% | 86.36% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the District's measurement date, which is the prior year-end.

Buckeye Water District
Required Supplementary Information
Schedule of District Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$97,326 | \$92,411 | \$81,530 | \$80,043 |
| Contributions in Relation to the Contractually Required Contribution | <u>(97,326)</u> | <u>(92,411)</u> | <u>(81,530)</u> | <u>(80,043)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| District Covered Payroll | \$811,050 | \$770,092 | \$679,417 | \$615,713 |
| Contributions as a Percentage of Covered Payroll | 12.00% | 12.00% | 12.00% | 13.00% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Buckeye Water District
Columbiana County
1925 Clark Avenue
P.O. Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

We have audited, 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, the financial statements of the business-type activities of the Buckeye Water District, Columbiana County, Ohio (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in the report that we reported to the District's management in a separate letter dated August 16, 2018.

Entity's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 16, 2018

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

**FINDING NUMBER 2016-001
Material Weakness**

Audit Adjustments and Reclassifications:

During 2016, several errors were noted in the District's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- Certain expenses amounting to \$69,071 that were classified as miscellaneous expenses were reclassified as contractual services.
- The transfer of the real property, including any fixtures and improvements, and the "system" consisting of the water treatment plant, water distribution system together with all transmission line, valves, pumps and equipment as part of its 2016 agreement with the Village of Salineville to transfer the ownership and operation of the Salineville Water System to the District. The estimated value of asset is \$954,582.
- The Statement of Net Position did not show the reserve/set-aside accounts for debt service nor the restricted cash required as by United State Department of Agriculture as part of its loan agreement.
- The Statement of Net Position did not show Net Investment in Capital Assets.

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

Sound financial reporting is the responsibility of the District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the District adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the accounting software manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management Response:

See Corrective Action Plan.

**FINDING NUMBER 2016-002
Material Weakness**

Internal Control on Cash Reconciliation:

In order for management to properly monitor the activity of the District, transactions must be posted in a timely manner and the bank accounts must be reconciled timely to detect errors. The monthly reconciliation of bank account balances to the accounting systems ending fund balance is an important method in detecting errors in the postings of revenues and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Fiscal Officer.

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS - continued
DECEMBER 31, 2016

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

FINDING NUMBER 2016-002 - continued

The District did not always post receipts into the system timely, causing the monthly bank reconciliations to be out of balance. Other mispostings were caused by online payments for the health care account not booked, payroll taxes either not booked or double booked in other months, and certain checks that were voided but cleared the bank. The total adjustment to cash was \$84,664. The District hired an independent accounting firm to reconcile the accounts. This amount was adjusted in the audited financial statements and the District's books.

We recommend that the District post all receipts and disbursements as they are received and paid and the Fiscal Officer reconcile all balances to zero every month. This will ensure that the accounting records are accurate, including cash balances for the Board to make informed financial decisions.

Management Response:

See Corrective Action Plan.

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2016

| FINDING NUMBER | PLANNED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | RESPONSIBLE CONTACT PERSON |
|----------------|---|-----------------------------|------------------------------------|
| 2016-001 | <p>As a new fiscal officer to Buckeye Water District in 2018, I understand that part of my job is to identify and correct errors by the previous administration and to set forth a plan to identify and correct any errors going forward. This audit has provided me with an in depth look into the financial activity for identification of previous errors. In an effort to perform corrective measures, so far, I played an intricate roll of providing proper valuations and supportive documentation for assets. Management plans to set forth an action plan of recording assets as acquisition occurs. Furthermore, management, on an annual basis, shall review Buckeye Water District Assets. Management plans to add and/or correct any reserve/set-aside accounts to comply with loan agreements. In the future, management plans to correct and/or add fund classifications as required for reconciliation of errors as identified in this finding. If management is unsure of proper account classifications, it shall use the accounting software manual/support or shall reach out to Auditor of State for guidance.</p> | Immediately | Tiffany Chetock, Fiscal Officer |

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2016

| FINDING NUMBER | PLANNED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | RESPONSIBLE CONTACT PERSON |
|----------------|--|-----------------------------|------------------------------------|
| 2016-002 | <p>As a new fiscal officer to Buckeye Water District in 2018, I understand that part of my job is to identify and correct errors by the previous administration and to set forth a plan to identify and correct any errors going forward. I identified early on that the bank account balances and the accounting systems ending fund balances did not agree. The first step of Buckeye Water District’s corrective action plan was to perform a cash reconciliation of 2016 and 2017. The cash reconciliation was completed and its findings showed a large sum of adjustments that needed made. All of those adjustments have now been applied. Going forward, management plans to further its efforts of an action plan by posting receipts and expenditures in a timely manner in an effort to keep the bank reconciliations in balance. Management plans to perform monthly reconciliations of bank account balances to the accounting system ending fund balances in an effort to detect errors in the posting of revenues and disbursements and bank account records. Management agrees and feels that this is an important step to keeping the accounting records accurate for the Board to make sound and informed financial decisions.</p> | Immediately | Tiffany Chetock, Fiscal Officer |



Dave Yost • Auditor of State

BUCKEYE WATER DISTRICT

COLUMBIANA 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
NOVEMBER 8, 2018**