



Dave Yost • Auditor of State

**NORTHWEST WATER DISTRICT
WILLIAMS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Water District
Williams County
16946 County Road 1-50
Edon, Ohio 43518

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 Northwest Water District, Williams 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 Revised Code Section 117.38 and Ohio Administrative Code Section 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 2 of the financial statements, the District prepared these financial statements using 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), 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 Revised Code Section 117.38 and Ohio Administrative Code Section 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 Northwest Water District, Williams County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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.



Dave Yost
Auditor of State

Columbus, Ohio

November 19, 2018

Northwest Water District
Williams County
Statement of Receipts, Disbursements
And Changes in Fund Balance (Regulatory Cash Basis)
For the Year Ended December 31, 2017

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Operating Cash Receipts	
Charges for Services	\$4,175
Intergovernmental/Grants	1,607
Miscellaneous	1,057
Rental Income	325
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>7,164</i>
	<hr/>
Operating Cash Disbursements	
Administration	209
Audit Expenses	205
Utilities	5,395
Repairs and Maintenance	3,006
Testing and Licenses	2,071
Other Contractual Services	18,000
Chemicals and Operating Supplies	1,231
Office Supplies and Materials	2,947
Insurance	5,391
Miscellaneous	118
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>38,573</i>
	<hr/>
<i>Operating Loss</i>	<i>(31,409)</i>
	<hr/>
Non-Operating Cash Receipts	
Loan Proceeds - From Williams County	20,000
Proceeds from Legal Settlement - Loan Payment	133,915
Proceeds from Legal Settlement - Administration	20,000
	<hr/>
<i>Total Non-Operating Cash Receipts</i>	<i>173,915</i>
	<hr/>
Non-Operating Cash Disbursements	
Debt Service:	
On-Behalf (Flying J payment to OWDA)	133,915
Northwest Township	100
Williams County Commissioners	100
	<hr/>
<i>Total Non-Operating Cash Disbursements</i>	<i>134,115</i>
	<hr/>
<i>Net Receipts Over Disbursements</i>	<i>8,391</i>
	<hr/>
Cash Balance, January 1	13,030
	<hr/>
<i>Cash Balance, December 31</i>	<i>\$21,421</i>
	<hr/> <hr/>

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

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Northwest Water District, Williams County, (the District) as a body corporate and politic. Northwest Township appoints each member to the Board of Trustees to direct the District. There are three Board members. Northwest Township is the only subdivision within the District. The District provides water services within the District.

On December 12, 2013, a management agreement was entered into between the Williams County Commissioners (the County) and the Board of Trustees of the Northwest Water District. The agreement authorized and conveyed all management authority, without transfer of any interest in ownership, to the Commissioners in relation to the operation of the water tower system. The agreement shall expire upon the time when the water tower system becomes profitable and when all debts accruing from the operation of the facility are paid to the Commissioners. The District receives loans from the County's General Fund to pay for operating expenses.

Public Entity Risk Pool

The District participates in a risk pool, the Public Entities Pool of Ohio (PEP). Note 6 to the financial statement provides additional information for this entity.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

Fund Accounting

The District uses funds 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 fund of the District is presented below:

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following Enterprise Fund:

Water Fund The water fund accounts for the provision of water treatment and distribution to the commercial users located within the District.

Basis of Accounting

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 of Trustees 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).

These statements include 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.

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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.

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 reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$124,439 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$157,678	\$181,079	\$23,401

2017 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$48,249	\$172,688	(\$124,439)

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

Note 5 – Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The District maintains a checking account for a portion of the financial activities. In accordance with the management agreement, the Williams County Treasurer is custodian for the balance of the District's monies. The District's cash is held in the County's cash and investment pool, and are valued at the Treasurer's reported carrying amount. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$14,558
Williams County Treasurer Deposits	6,863
Total deposits	\$21,421

Deposits

Deposits held by the District are insured by the Federal Deposit Insurance Corporation.

Note 6 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District's share of these unpaid claims collectible in future years is approximately \$3,396.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The District contributed \$5,391 in 2017.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Water Revenue Bonds	\$2,246,634	3.00%
Loan From Williams County	124,900	0.00%
Loan From Northwest Township	14,776	0.00%
Total	\$2,386,310	

The District borrowed from the Ohio Water Development Authority (OWDA) to finance the building of a water tower and water lines for a proposed travel plaza near the Ohio Turnpike. The water system was finished in 2009. An agreement was reached in 2011 with Flying J to make the payments for the District until the company builds a complex to utilize the water tower which was built for them.

From 2002-2011, Northwest Township paid expenses of the District. The Township and the District have agreed that the District will reimburse the Township a total amount of \$14,876 for these expenses. The District will make annual payments of \$100, as long as funds are available, in December of each year. The District has the option to pay additional amounts until the debt is paid in full, with no interest accruing.

The District receives advances from the Williams County General Fund to pay for operating expenses. The District will make annual payments of \$100, as long as funds are available, in December of each year. The District has the option to pay additional amounts until the debt is paid in full, with no interest accruing. For 2017, the County loaned \$20,000 to the District.

Amortization of the above debt, including interest, is scheduled as follows:

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2017
(Continued)

Year ending December 31:	OWDA Water Tower Loan	Williams County Loan	Northwest Township Loan	Total
2018	\$66,957	\$100	\$100	\$67,157
2019	133,915	100	100	134,115
2020	133,915	100	100	134,115
2021	133,915	100	100	134,115
2022	133,915	100	100	134,115
2023-2027	669,574	500	500	670,574
2028-2032	669,574	500	500	670,574
2033-2037	669,574	500	500	670,574
2038-2042	535,659	500	500	536,659
Thereafter		122,400	12,276	134,676
Total	<u>\$3,146,998</u>	<u>\$124,900</u>	<u>\$14,776</u>	<u>\$3,286,674</u>

Northwest Water District
Williams County
Statement of Receipts, Disbursements
And Changes in Fund Balance (Regulatory Cash Basis)
For the Year Ended December 31, 2016

Operating Cash Receipts	
Charges for Services	\$6,561
Miscellaneous	1,711
Rental Income	<u>378</u>
<i>Total Operating Cash Receipts</i>	<u>8,650</u>
Operating Cash Disbursements	
Administration	328
Audit Expenses	3,197
Utilities	6,803
Repairs and Maintenance	4,503
Testing and Licenses	2,516
Other Contractual Services	25,665
Chemicals and Operating Supplies	1,080
Office Supplies and Materials	495
Insurance	5,361
Miscellaneous	<u>504</u>
<i>Total Operating Cash Disbursements</i>	<u>50,452</u>
<i>Operating Loss</i>	<u>(41,802)</u>
Non-Operating Cash Receipts	
Loan Proceeds - From Williams County	30,000
Proceeds from Legal Settlement - Loan Payment	<u>102,110</u>
<i>Total Non-Operating Cash Receipts</i>	<u>132,110</u>
Non-Operating Cash Disbursements	
Debt Service:	
On-Behalf (Flying J payment to OWDA)	<u>102,110</u>
<i>Net Disbursements Over Receipts</i>	(11,802)
Cash Balance, January 1	<u>24,832</u>
<i>Cash Balance, December 31</i>	<u><u>\$13,030</u></u>

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

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Northwest Water District, Williams County, (the District) as a body corporate and politic. Northwest Township appoints each member to the Board of Trustees to direct the District. There are three Board members. Northwest Township is the only subdivision within the District. The District provides water services within the District.

On December 12, 2013, a management agreement was entered into between the Williams County Commissioners (the County) and the Board of Trustees of the Northwest Water District. The agreement authorized and conveyed all management authority, without transfer of any interest in ownership, to the Commissioners in relation to the operation of the water tower system. The agreement shall expire upon the time when the water tower system becomes profitable and when all debts accruing from the operation of the facility are paid to the Commissioners. The District receives loans from the County's General Fund to pay for operating expenses.

Public Entity Risk Pool

The District participates in a risk pool, the Public Entities Pool of Ohio (PEP). Note 6 to the financial statement provides additional information for this entity.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The District uses funds 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 fund of the District is presented below:

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following Enterprise Fund:

Water Fund The water fund accounts for the provision of water treatment and distribution to the commercial users located within the District.

Basis of Accounting

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 of Trustees 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).

These statements include 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.

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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.

Encumbrances The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority by \$92,664 for the year ended December 31, 2016.

Contrary to the requirements of Ohio Law, Board Member Cameron Bare received compensation of \$2,640 in 2016 for services provided to operate the District water plant while serving on the District's Board of Trustees.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$130,953	\$140,760	\$9,807

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$59,898	\$152,562	(\$92,664)

Note 5 – Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The District maintains a checking account for a portion of the financial activities. In accordance with the management agreement, the Williams County Treasurer is custodian for the balance of the District's monies. The District's cash is held in the County's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	\$4,081
Williams County Treasurer Deposits	8,949
Total deposits	\$13,030

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District's share of these unpaid claims collectible in future years is approximately \$3,377.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. The District contributed \$5,361 in 2016.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Debt

Debt outstanding at December 31, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan	\$2,311,683	3.00%
Loan From Williams County	105,000	0.00%
Loan From Northwest Township	<u>14,876</u>	0.00%
Total	<u>\$2,431,559</u>	

The District borrowed from the Ohio Water Development Authority (OWDA) to finance the building of a water tower and water lines for a proposed travel plaza near the Ohio Turnpike. The water system was finished in 2009. An agreement was reached in 2011 with Flying J to make the payments for the District until the company builds a complex to utilize the water tower which was built for them.

From 2002-2011, Northwest Township paid expenses of the District. The Township and the District have agreed that the District will reimburse the Township a total amount of \$14,876 for these expenses. The District will make annual payments of \$100, as long as funds are available, in December of each year. The District has the option to pay additional amounts until the debt is paid in full, with no interest accruing.

Northwest Water District
Williams County
Notes to the Financial Statement
For the Year Ended December 31, 2016
(Continued)

The District receives advances from the Williams County General Fund to pay for operating expenses. The District will make annual payments of \$100, as long as funds are available, in December of each year. The District has the option to pay additional amounts until the debt is paid in full, with no interest accruing. For 2016, the County loaned \$30,000 to the District.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Water Tower Loan	Williams County Loan	Northwest Township Loan	Total
2017	\$66,957	\$100	\$100	\$67,157
2018	133,915	100	100	134,115
2019	133,915	100	100	134,115
2020	133,915	100	100	134,115
2021	133,915	100	100	134,115
2022-2026	669,574	500	500	670,574
2027-2031	669,574	500	500	670,574
2032-2036	669,574	500	500	670,574
2037-2041	669,574	500	500	670,574
Thereafter		102,500	12,376	114,876
Total	<u>\$3,280,913</u>	<u>\$105,000</u>	<u>\$14,876</u>	<u>\$3,400,789</u>



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

Northwest Water District
Williams County
16946 County Road 1-50
Edon, Ohio 43518

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 Northwest Water District, Williams 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 November 19, 2018 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 a 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. Given these limitations, we did not identify any deficiencies in internal control that we consider a material weakness. However, unidentified material weaknesses may exist

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 19, 2018

**NORTHWEST WATER DISTRICT
WILLIAMS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code §102.03(E) provides that no public official or employee shall solicit or accept “anything of value” that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

“Anything of Value” is defined by Ohio Ethics Commission, Advisory Opinion No. 96-004, to include money and every other thing of value. The Ethics Commission has held that compensation received from engaging in private outside employment or business activity is a thing of value for purposes of Rev. Code 102.03 (D) and (E).

Cameron Bare, a member of the District’s Board of Trustees, received compensation in the amount of \$2,640 in 2016 for being contracted to operate the District’s water plant while a member of the District’s Board of Trustees.

The District was unaware of restrictions on paying a Board member for services provided.

The practice of contracting with Board members for services could result in future noncompliance and potential findings for recovery.

The District should review with their legal counsel whether contracted services to operate the District's water plant and being a member of the Board of Trustees have any ethical compatibility issues.

Officials’ Response:

The District discontinued the service contract with Mr. Bare in April 2016.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code § 5705.28(B)(2) requires entities that do not levy taxes to follow Ohio Rev. Code § 5705.41(B). Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

At December 31, 2017, budgetary expenditures exceeded appropriations by \$124,439. At December 31, 2016, budgetary expenditures exceeded appropriations by \$92,664.

These errors were a result of the District failing to appropriate debt payments made on its behalf by the Flying J, a local firm.

These instances of non-compliance were not detected due to deficiencies in the District’s compliance monitoring controls. The practice of allowing expenditures to exceed appropriations could result in overspending and negative fund balances.

The Treasurer should compare expenditures plus outstanding encumbrances to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending.

Officials' Response:

The District will adopt appropriations for these on-behalf-of payments for fiscal 2018.

**Northwest Water District
Williams County
16946 County Road 1-50
Edon, Ohio 43518**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code §5705.41(D)(1) for failure to certify expenditures.	Corrective action was taken and finding is fully corrected.	
2015-002	Ohio Rev. Code §5705.28(B)(2)(a) for failure to adopt a tax budget.	Partially corrected and reissued as finding 2017-002.	District prepared a budget but did not appropriate debt payments made on its behalf by Flying J. The District will adopt appropriations for these payments for fiscal 2018.
2015-003	Ohio Rev. Code §5705.38 and material weakness for failure to adopt an annual appropriation measure.	Corrective action was taken and finding is fully corrected.	
2015-004	Material weakness for failure to obtain invoices for expenditures.	Corrective action was taken and finding is fully corrected.	
2015-005	Ohio Rev. Code §102.03 for public official receiving payment to operate the water plant.	Not corrected and reissued as finding 2017-001 in this report.	The District discontinued the service contract with Mr. Bare in April 2016.

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Dave Yost • Auditor of State

NORTHWEST WATER DISTRICT

WILLIAMS 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 4, 2018**