

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY

Audit Report

Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Board of Trustees
Walnut Creek Sewer District
PO Box 599
Pleasantville, Ohio 43148

We have reviewed the *Independent Auditor's Report* of the Walnut Creek Sewer District, Fairfield County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 Walnut Creek Sewer District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 18, 2015

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**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY
AUDIT REPORT
For Years Ending December 31, 2014 and 2013**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Walnut Creek Sewer District, Fairfield County, (the District) as of and for the years ended December 31, 2014 and 2013.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio 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, to satisfy 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, 2014 and 2013, or changes in financial position or its cash flows 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 of the Walnut Creek Sewer District, Fairfield County, as of December 31, 2014 and 2013, and its cash receipts and disbursements 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) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

June 17, 2015

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Operating Cash Receipts:		
Charges for Services	\$ 320,825	\$ 331,911
Miscellaneous	11,342	5,811
	332,167	337,722
Operating Cash Disbursements:		
Personal Services	12,087	17,456
Utilities	41,397	40,630
Repairs and Maintenance	65,622	36,330
Testing and Licenses	13,848	10,017
Other Contractual Services	71,073	71,894
Insurance	5,487	5,382
Office Supplies and Materials	6,620	12,569
Miscellaneous	4,075	645
	220,209	194,923
Operating Income/(Loss)	111,958	142,799
Non-Operating Cash Receipts:		
Earnings on Investments	2,184	3,081
	2,184	3,081
Total Non-Operating Cash Receipts	2,184	3,081
Non-Operating Cash Disbursements:		
Debt Service		
Principal Retirement	50,620	36,160
Interest and Fiscal Charges	8,951	10,099
Capital Outlay	886	20,743
Other Non-Operating Cash Disbursements	1,671	5,322
	62,128	72,324
Total Non-Operating Cash Disbursements	62,128	72,324
Net Receipts Over/(Under) Disbursements	52,014	73,556
Cash Balances, January 1	587,456	513,900
Cash Balances, December 31	\$ 639,470	\$ 587,456

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

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Walnut Creek Sewer District, Fairfield County, Ohio (the District) is organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Fairfield County, Ohio, for the purpose of providing sewer service. The territorial limits were set as the entire corporation limits of the Village of Pleasantville and the Village of Thurston. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a six-member Board of Trustees who is appointed by the Village Councils of Pleasantville and Thurston. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District.

Management believes the financial statements included in this report represent all of the funds of the District over which management has direct operating control.

B. Accounting Basis

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

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.

C. 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.

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Budgetary Process

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

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

	2014	2013
Demand Deposits	\$ 439,041	\$ 386,420
Certificates of Deposit	200,429	201,036
	<u>\$ 639,470</u>	<u>\$ 587,456</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District or collateralized by the financial institution's public entity deposit pool.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. RESTRICTED CASH

Restricted cash consists of reserve funds that were established by Board resolutions. At December 31, 2014 and 2013, the District had the following restricted funds:

Bond and Interest Sinking Fund: Under Bond Resolution No. 9-25-79-2 Section 6B(1) and B(3), the District is required to make monthly deposits into reserve cash accounts of which may be invested at the discretion of the Board. At December 31, 2014 and 2013, the Bond and Interest Sinking Fund account had a balance of \$50,283 and \$50,535, respectively.

Customer Security Deposits: The Customer Security Deposit account is restricted for customers opening new accounts. Upon termination of the account, monies are refunded if all required conditions are met. At December 31, 2014 and 2013, the Customer Security Deposit account had a balance of \$24,206 and \$21,313, respectively.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted Receipts vs Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
\$478,000	\$334,351	\$143,649

2014 Budgeted vs Budgetary Disbursements

Appropriation Authority	Budgetary Disbursements	Variance
\$478,000	\$282,337	\$ 195,663

2013 Budgeted Receipts vs Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
\$378,000	\$340,803	\$(37,197)

2013 Budgeted vs Budgetary Disbursements

Appropriation Authority	Budgetary Disbursements	Variance
\$378,000	\$267,247	\$ 110,753

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT

Debt outstanding at December 31, 2014:

	Balance December 31, 2014	Interest Rate
USDA Rural Development Bonds	\$127,239	5.00%
OWDA Loan # 4060	27,292	5.16%
OWDA Loan # 5194	35,022	0.00%
OPWC Loan # CQ28L	203,316	0.00%
OPWC Loan # CQ29M	505,651	0.00%
Total Debt Outstanding	<u>\$898,520</u>	

Outstanding debt consisted of 1995 Water Resource Revenue Bonds with the Farmers Home Administration bonds (USDA) issued in \$1,000 denominations, bearing interest at 5% per annum, with principal and interest payments due annually on September 1. The final bonds are due September 1, 2019. The bonds are collateralized by charges for service receipts.

The District also secured a sewer rehabilitation loan through the Ohio Water Development Authority (OWDA) in the amount of \$35,404, bearing interest at 5.16%. Principal and interest payments are due semiannually with final payment due July 1, 2034. The loan is collateralized by charges for service receipts.

The District entered into a loan agreement (CQ28L) with the Ohio Public Works Commission. Proceeds from this loan were used to construct a Wastewater Treatment Plant Equalization Basin. The amount of the loan was \$221,801 and is being repaid in semi-annual installments of \$3,697 for 30 years bearing a 0% interest rate with the final payment due January 1, 2042.

The District entered into a loan agreement (CQ29M) with the Ohio Public Works Commission. Proceeds from this loan were used for improvements to the Wastewater Treatment Plant. The amount of the loan was \$582,900 and is being repaid in semi-annual installments of \$9,715 for 30 years bearing a 0% interest rate with the final payment due July 1, 2042.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT – (Continued)

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

Year Ending December 31:	USDA Rural Development Bonds	OWDA 4060	OPWC CQ28I	OPWC CQ29M
2015	\$ 30,362	\$ 2,236	\$ 7,294	\$ 19,430
2016	30,162	2,236	7,394	19,430
2017	29,912	2,236	7,394	19,430
2018	30,612	2,236	7,394	19,430
2019	30,812	2,236	7,394	19,430
2020-2024	7,601	11,180	36,970	97,150
2025-2029	-	11,180	36,970	97,150
2030-2034	-	11,180	36,970	97,150
2035-2039	-	-	36,970	97,150
2040-2044	-	-	18,466	19,901
Total	<u>\$159,461</u>	<u>\$ 44,720</u>	<u>\$203,316</u>	<u>\$ 505,651</u>

An amortization schedule has not been prepared for OWDA loan # 5194.

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT – (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

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 Walnut Creek Sewer District, Fairfield County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 17, 2015, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

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.

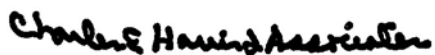
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
June 17, 2015

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO

For the Years Ended December 31, 2014 and 2013

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Contrary to Ohio Rev. Code Section 5705.41(D) , District did not certify the availability of funds before contracting to procure goods and services.	Yes	Corrected
2012-002	Contrary to Ohio Rev. Code Section 5705.41(B) , District disbursements exceeded appropriations.	Yes	Corrected
2012-003	District failed to record on behalf payments made by OWDA and OPWC.	Yes	No Longer Valid.

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Dave Yost • Auditor of State

WALNUT CREEK SEWER DISTRICT

FAIRFIELD 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
OCTOBER 1, 2015**