

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Regular Audit  
For the Three Month Period Ended March 31, 2018



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# Dave Yost • Auditor of State

Board of Trustees  
Greenfield Township Water and Sewer District  
4663 Carroll-Cemetery Road, NW  
Carroll, Ohio 43112

We have reviewed the *Independent Auditor's Report* of the Greenfield Township Water and Sewer District, Fairfield County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through March 31, 2018. 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 Greenfield Township Water and 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

November 16, 2018

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**Greenfield Township Water & Sewer District**  
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*For the Three Month Period Ended March 31, 2018*

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**Independent Auditor's Report**

Board of Trustees  
Greenfield Township Water & Sewer District  
4663 Carroll-Cemetery Road NW  
Carroll, Ohio 43112

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Greenfield Township Water & Sewer District, Fairfield County (the District), as of and for the three month period ended March 31, 2018, 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 opinion.

***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 Greenfield Township Water & Sewer District, Fairfield County, as of March 31, 2018, and the respective changes in financial position and cash flows thereof for the three month period then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note J to the financial statements, the District transferred operations to Fairfield County on March 30, 2018. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 October 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Robyn Roush, CPA, CITP  
Vice-President/Owner  
Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio

October 26, 2018



Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Management's Discussion and Analysis  
For the Three-Month Period Ended March 31, 2018  
*(Unaudited)*

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This discussion and analysis, along with the accompanying financial reports, of Greenfield Township Water & Sewer District ("the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

#### **FINANCIAL HIGHLIGHTS**

The total assets of the District on March 31, 2018 were \$100,013. The District had no liabilities as of March 31, 2018. The District's net position decreased by \$1,652,624 (94%) for the three-month period ended March 31, 2018.

#### **OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The basic financial statements are presented using the accrual basis of accounting.

The **Statement of Net Position** include all of the District's assets and liabilities. This statement provides information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on March 31. The District's net position is the difference between assets and liabilities.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information on the District's operations over the three-month period ended March 31, 2018 and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing, capital and non-capital financing activities.

The **Notes to the Basic Financial Statements** are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Management's Discussion and Analysis  
For the Three-Month Period Ended March 31, 2018  
(Unaudited)

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**STATEMENTS OF NET POSITION**

Table 1 summarizes the Statements of Net Position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in Capital Assets", are capital assets less outstanding debt that was used to acquire those assets.

**Table 1**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>Difference</b>
Current and Other Assets	\$ 100,013	\$ 2,128,141	\$ (2,028,128)
Capital Assets, Net	-	2,023,707	(2,023,707)
<b>Total Assets</b>	<b>100,013</b>	<b>4,151,848</b>	<b>(4,051,835)</b>
Noncurrent Liabilities	-	1,932,029	(1,932,029)
Current Liabilities	-	467,182	(467,182)
<b>Total Liabilities</b>	<b>-</b>	<b>2,399,211</b>	<b>(2,399,211)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	-	(207,474)	207,474
Unrestricted	100,013	1,960,111	(1,860,098)
<b>Total Net Position</b>	<b>\$ 100,013</b>	<b>\$ 1,752,637</b>	<b>\$ (1,652,624)</b>

The District's net position decreased by \$1,652,624 (94%) for the three-month period ended March 31, 2018. The 2018 decrease is primarily due to the transfer of the water and sewer operations of the District and the related assets and liabilities (other than \$100,013) to Fairfield County.

Unrestricted net position decreased by \$1,860,098 for the three-month period ended March 31, 2018. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Unrestricted cash and cash equivalents decreased by \$1,439,839 for the three-month period ended March 31, 2018. The decrease in cash and cash equivalents in 2018 was due to the transfer of assets and liabilities to Fairfield County in March of 2018.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Management's Discussion and Analysis  
For the Three-Month Period Ended March 31, 2018  
(Unaudited)

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**STATEMENTS OF CHANGES IN NET POSITION**

Table 2 below summarizes the revenues and expenses and the resulting change in net position.

**Table 2**

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
Operating Revenues	\$ 301,891	\$ 1,169,889	\$ (867,998)
<b>Total Operating Revenues</b>	<b>301,891</b>	<b>1,169,889</b>	<b>(867,998)</b>
Operating Expenses (Excluding Depreciation)	75,583	583,520	(507,937)
Depreciation Expense	59,034	236,137	(177,103)
<b>Total Operating Expenses</b>	<b>134,617</b>	<b>819,657</b>	<b>(685,040)</b>
Operating Income	167,274	350,232	(182,958)
Non-Operating Revenues	43,224	75,748	(32,524)
Non-Operating Expenses	-	139,181	(139,181)
Changes in Net Assets before Special Items	210,498	286,799	(76,301)
Special Items			
Transfer of Equity to Another Governm	(1,863,122)	-	(1,863,122)
<b>Changes in Net Position</b>	<b>(1,652,624)</b>	<b>286,799</b>	<b>(1,939,423)</b>
<b>Net Position at Beginning of Year</b>	<b>1,752,637</b>	<b>1,465,838</b>	<b>286,799</b>
<b>Net Position at End of Year</b>	<b>\$ 100,013</b>	<b>\$ 1,752,637</b>	<b>\$ (1,652,624)</b>

A comparative narrative analysis for the three-month period ended March 31, 2018 with the year ended December 31, 2017 is not provided due to the difference of periods being compared above. The primary change relates to the transfer of assets and liabilities (with the exception of \$100,013 in cash) to Fairfield County due to the County taking over the water and sewer operations of the District at the end of March 2018.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Management's Discussion and Analysis  
For the Three-Month Period Ended March 31, 2018  
(Unaudited)

**CAPITAL ASSETS**

The District had \$6.5 million invested in capital assets (before depreciation) at the end of 2017 . In March of 2018 net capital assets of \$1,964,673 were transferred to Fairfield County.

**Table 3**

	<u>2018</u>	<u>2017</u>
Land Easements	\$ -	\$ 17,230
Water Tower	-	52,100
Building - Water Plant	-	20,264
Water Line Construction	-	1,233,481
Sewer Line Construction	-	3,061,994
Water Treatment Plant Improvements	-	1,748,998
Water Planning	-	104,789
Sewer Planning	-	134,373
General Equipment	-	103,509
<b>Totals Before Accumulated Depreciation</b>	<b>-</b>	<b>6,476,738</b>
Accumulated Depreciation	-	(4,453,031)
<b>Net Capital Assets</b>	<b>\$ -</b>	<b>\$ 2,023,707</b>

For additional information regarding capital assets, please see Note I to the basic financial statements.

**DEBT**

The District issued long term debt to finance much of its construction. Ohio Water Development Authority (OWDA) loans were used to finance most general improvement projects.

**Table 4**

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
Ohio Public Works Commission	\$ -	\$ 59,953	\$ (59,953)
Ohio Water Development Authority (O.W.D.A.)	-	2,171,228	(2,171,228)
<b>Total Long Term Debt</b>	<b>-</b>	<b>2,231,181</b>	<b>(2,231,181)</b>
Less: Current Maturities	-	299,152	(299,152)
<b>Net Total Long Term Debt</b>	<b>\$ -</b>	<b>\$ 1,932,029</b>	<b>\$ (1,932,029)</b>

In March of 2018, the outstanding long term debt of the District was assumed by Fairfield County. For additional information regarding debt, please see Note E to the basic financial statements.

**CASH**

Cash and cash equivalents were approximately \$100,013 on March 31, 2018. In March of 2018, the District transferred all of their cash except for \$100,013 to Fairfield County as part of the transfer of operations of the District to the County. The remaining cash balance will be used for final closeout operations of the District.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Fairfield County Utilities, 6670 Lockville Road, Carroll, Ohio 43112 or (740) 652-7120.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Statement of Net Position  
March 31, 2018

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	<u>2018</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 100,013
TOTAL CURRENT ASSETS	<u>100,013</u>
 TOTAL ASSETS	 <u>\$ 100,013</u>
<b>NET POSITION</b>	
Unrestricted	<u>100,013</u>
 TOTAL NET POSITION	 <u>\$ 100,013</u>

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

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Statement of Revenues, Expenses and Changes in Net Position  
March 31, 2018

	<b>2018</b>
<b>OPERATING REVENUES</b>	
Billing revenues	\$ 300,118
Late charge revenues	1,773
TOTAL OPERATING REVENUES	301,891
<b>OPERATING EXPENSES</b>	
Contract labor	650
Operations and testing	12,362
Lancaster service charge	27,515
Repairs and maintenance	19,836
Telephone	464
Utilities	3,692
Accounting fees	360
Engineering fees	4,182
Legal fees	3,793
Office rent	650
Insurance	1,986
Office supplies	43
Postage	50
Depreciation	59,034
TOTAL OPERATING EXPENSES	134,617
OPERATING INCOME	167,274
<b>NONOPERATING REVENUES</b>	
Inspection fees (net of costs)	600
Tap fees and connection fees revenue	32,862
Interest income	9,047
Miscellaneous income	715
NET NONOPERATING REVENUES	43,224
Changes in net position before special item	210,498
<b>SPECIAL ITEM</b>	
Transfer of operations to another government	(1,863,122)
TOTAL SPECIAL ITEM	(1,863,122)
CHANGES IN NET POSITION	(1,652,624)
NET POSITION, BEGINNING OF YEAR	1,752,637
NET POSITION, END OF YEAR	\$ 100,013

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

Greenfield Township Water & Sewer District  
 Fairfield County, Ohio  
 Statement of Cash Flows  
 March 31, 2018

	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 274,676
Cash payments to suppliers for goods and services	(193,066)
Net cash provided by operating activities	81,610
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Special Item - transfer of cash to another government	(1,610,284)
Miscellaneous income	715
Net cash used for non-capital financing activities	(1,609,569)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Inspection fee	600
Special assessment collections - County Auditor	37,262
Special assessment interest income	9,006
Tap fees	32,862
Net cash provided by capital and related financing activities	79,730
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on cash and investments	41
Net decrease in cash and cash equivalents	(1,448,188)
Cash and cash equivalents, beginning of year	1,548,201
Cash and cash equivalents, end of year	\$ 100,013

(Continued)

Greenfield Township Water & Sewer District  
 Fairfield County, Ohio  
 Statement of Cash Flows (Continued)  
 March 31, 2018

	<b>2018</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 167,274
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	59,034
<b>Changes in assets and liabilities:</b>	
(Increase)/Decrease in accounts receivable	(27,215)
(Increase)/Decrease in prepaids	(4,575)
Increase/(Decrease) in accounts payable	<u>(112,908)</u>
Increase in due to other governments	-
Total adjustments	<u>(85,664)</u>
Net cash provided by operating activities	<u><u>\$ 81,610</u></u>

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



**NOTE A – NATURE OF ORGANIZATION**

Greenfield Township Water & Sewer District (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 established to provide water and sewer services to the residents of Greenfield Township. The District is directed by an appointed five-member Board of Trustees.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these provisions, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision to the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District revenues.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the District has no component units.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

**1. Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type which the District uses is described below:

**Proprietary Fund Type** - This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Enterprise Fund** - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's enterprise fund is described as follows:

**Water and Sewer Fund** – This fund receives charges for services from residents to cover the cost of providing these utilities, and loan and grant proceeds to improve the District's systems.

**2. Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

**3. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget and an annual appropriation resolution for the three-month period ended March 31, 2018.

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

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

**Encumbrances** - The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

- 4. Measurement Focus** – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the statement of net position. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**5. Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

**6. Accounts Receivable**

Accounts receivable are presented at their net realizable value. Fairfield County Utilities managed all accounts receivable, including the enforcement of a shut-off policy. Uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted. In March of 2018 all receivables were transferred to Fairfield County.

**7. Restricted Assets**

As explained in Note C, a restricted savings account was established for contractor bonds. In March of 2018 these monies had been transferred to Fairfield County.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**8. Capital Assets**

Capital assets are presented at cost and are depreciated over the estimated useful lives of the assets from 5 to 25 years, depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest over the life of the construction loan, which is determined to be the estimated useful life of the assets. The District maintains a capital asset threshold of \$100.

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized. In March of 2018 all capital assets were transferred to Fairfield County.

**9. Income Tax**

The District operates as a public water/sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

**10. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**11. Interest Expense**

Interest expense represents the interest portion of construction loan payments to the Ohio Water Development Authority.

**12. Interest Income**

Interest income represents earnings from the checking account and assessment receivables.

**13. Estimates**

The preparation of the financial statements in conformity with GAAP 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.

**14. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or 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 net position and unrestricted net position are available.

**15. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are district fees for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

**16. Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond March 31, 2018 are generally recorded as prepaid items using the consumption method. A current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed. These assets were transferred to Fairfield County in March of 2018.

Greenfield Township Water & Sewer District  
 Fairfield County, Ohio  
 Notes to the Basic Financial Statements  
 For the Three-Month Period Ended March 31, 2018

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**NOTE C – CONTRACTOR BONDS**

A separate savings account has been set up for contractor bonds. Contractor bonds payable were transferred to Fairfield County in March of 2018.

**NOTE D – ACCOUNTS AND ASSESSMENTS RECEIVABLE**

All accounts receivable were transferred to Fairfield County in March of 2018.

Assessment receivables represent the remaining balance of construction assessments less prepayments and principal payments from the County Auditor. Once a project is complete, the related assessments are calculated. Prepayments are permitted for a specified period, and remaining unpaid balances are certified to the county auditor for semi-annual collection over 25 years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA loan. The District receivable for assessments of water and sewer line construction costs to local service users in the amounts of \$136,035 and \$216,819 respectively were transferred to Fairfield County, in March of 2018.

**NOTE E – CURRENT AND LONG-TERM DEBT**

Long-term debt additions and reductions for the three-month period ended March 31, 2018 are as follows:

	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>3/31/2018</u>	<u>Due Within</u> <u>One Year</u>
O.W.D.A.	\$2,171,228	\$0	\$2,171,228	\$0	\$0
Ohio Public Works Commission	59,953	0	59,953	0	0
	<u>\$2,231,181</u>	<u>\$0</u>	<u>\$2,231,181</u>	<u>\$0</u>	<u>\$0</u>

The current and long-term construction loans listed are with Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC).

In connection with the OWDA loans, the District pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans and bonds are payable, through their final maturities, solely from net revenues. The liabilities for OWDA loans and Ohio Public Works Commission loans were transferred to Fairfield County in March of 2018.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Notes to the Basic Financial Statements  
For the Three-Month Period Ended March 31, 2018

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**NOTE F – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS**

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 that the Board of Trustees has identified as not required for use within the current five-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 represent interim 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 or deposit accounts, including passbook accounts.

Interim monies can be deposited or invested 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 other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705/01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than two hundred seventy days after purchase; and
9. Bankers' acceptances for a period not to exceed 180 days and in an amount not to exceed ten percent of the District's average portfolio.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Notes to the Basic Financial Statements  
For the Three-Month Period Ended March 31, 2018

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**NOTE F – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS - Continued**

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 and 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** – Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party.

As of March 31, 2018, the District's bank balance of \$121,725 was covered by the FDIC.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments** – The District did not have any investments for the three-month period ended March 31, 2018.

**NOTE G – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions and natural disasters. The District contracted with Rinehart-Walters-Danner Insurance for commercial general liability insurance. The coverage insures up to \$2,000,000 for each occurrence and \$4,000,000 for an aggregate total.

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage by class from the prior year.

**NOTE H – PENDING LITIGATION**

The District's general legal counsel is O'Keefe Family Law, Columbus, Ohio.

During the period from January 1 to March 31, 2018, there were no contingent liabilities or pending litigation for the District that management believes is material to the basic financial statements.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Notes to the Basic Financial Statements  
For the Three-Month Period Ended March 31, 2018

**NOTE I – CAPITAL ASSETS**

Capital assets activity for the three-month period ended March 31, 2018 was as follows:

	Ending Balance 12/31/2017	Additions	Deletions *	Ending Balance 3/31/2018
Capital Assets, Not Being Depreciated				
Land Easements	\$ 17,230	\$ -	\$ (17,230)	\$ -
Total Capital Assets, Not Being Depreciated	17,230	-	(17,230)	-
Capital Assets Being Depreciated				
Water Tower	52,100	-	(52,100)	-
Building - Water Plant	20,264	-	(20,264)	-
Water Line Construction	1,233,481	-	(1,233,481)	-
Sewer Line Construction	3,061,994	-	(3,061,994)	-
Water Treatment Plant Improvements	1,748,998	-	(1,748,998)	-
Water Planning	104,789	-	(104,789)	-
Sewer Planning	134,373	-	(134,373)	-
General Equipment	103,509	-	(103,509)	-
Total Capital Assets, Being Depreciated	6,459,508	-	(6,459,508)	-
Less Accumulated Depreciation:				
Water Tower	(50,049)	(493)	50,542	-
Building - Water Plant	(19,466)	(191)	19,657	-
Water Line Construction	(901,680)	(11,116)	912,796	-
Sewer Line Construction	(2,179,416)	(28,209)	2,207,625	-
Water Treatment Plant Improvements	(1,091,756)	(17,408)	1,109,164	-
Water Planning	(54,864)	(637)	55,501	-
Sewer Planning	(57,876)	(674)	58,550	-
General Equipment	(97,924)	(306)	98,230	-
Total Accumulated Depreciation	(4,453,031)	(59,034)	4,512,065	-
Total Capital Assets Being Depreciated, Net	2,006,477	(59,034)	(1,947,443)	-
Total Capital Assets, Net	\$ 2,023,707	\$ (59,034)	\$ (1,964,673)	\$ -

\*Deletions related to the disposal of operations to another government. See Note J for additional information.

Greenfield Township Water & Sewer District  
Fairfield County, Ohio  
Notes to the Basic Financial Statements  
For the Three-Month Period Ended March 31, 2018

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**NOTE J – SPECIAL ITEM**

The District negotiated with Fairfield County to turn over the District's water and sewer operations to the County. On March 30, 2018, the District transferred all assets (with the exception of \$100,013 for closeout activities) and all liabilities to Fairfield County. This transfer of assets and liabilities was recorded as a special item in the accompanying financial statements in the amount of \$1,863,122.

The District determined that it was no longer beneficial to the public health, safety, welfare and convenience of the District and its customers to continue ownership and operation of the District's water and sewer systems due to the escalating costs of operating a small regional district.



**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***

Independent Auditor's Report

Board of Trustees  
Greenfield Township Water & Sewer District  
4663 Carroll-Cemetery Road NW  
Carroll, Ohio 43112

We have audited, in accordance with the 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 Greenfield Township Water & Sewer District, Fairfield County (the District) as of and for the three month period ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2018, wherein we noted the District transferred operations to Fairfield County on March 30, 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **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.



Robyn Roush, CPA, CITP  
Vice-President/Owner  
Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio

October 26, 2018



# Dave Yost • Auditor of State

**GREENFIELD TOWNSHIP WATER AND 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  
NOVEMBER 29, 2018**