

**WHITEWATER TOWNSHIP
REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**



Dave Yost • Auditor of State

Board of Trustees
Whitewater Township Regional Sewer District
P.O. Box 532
Miamitown, Ohio 45041

We have reviewed the Independent Auditors' Report of the Whitewater Township Regional Sewer District, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditors' Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditors' Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Whitewater Township Regional 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 15, 2012

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**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances - For the Years Ended December 31, 2011 and 2010.....	3
Notes to the Financial Statements.....	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
Schedule of Findings and Responses.....	12
Schedule of Prior Audit Findings.....	13

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Whitewater Township Regional Sewer District
Hamilton County, Ohio

We have audited the accompanying financial statements of the Whitewater Township Regional Sewer District, Hamilton County, Ohio, (the District) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2011 and 2010, or its changes in financial position or cash flows, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011 and 2010 of the District and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Bastin & Company, LLC". The signature is written in a cursive style with a large, prominent 'B' at the beginning.

Cincinnati, Ohio
July 27, 2012

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<i>Operating Cash Receipts:</i>		
Special Assessments	\$ 107,748	\$ 107,548
Sewer Usage Fees	13,028	8,204
Tap-in Fees	12,666	23,781
Miscellaneous	<u>17,799</u>	<u>130</u>
 Total Operating Cash Receipts	 <u>151,241</u>	 <u>139,663</u>
 <i>Operating Cash Disbursements:</i>		
Personal Services	9,450	8,100
Utilities	3,042	2,622
Other Contractual Services	131,699	325,325
Repairs and Maintenance	-	2,400
Insurance	1,928	1,238
Easements	-	4,000
Miscellaneous	135	320
Capital Outlay	<u>-</u>	<u>94,510</u>
 Total Operating Cash Disbursements	 <u>146,254</u>	 <u>438,515</u>
 Operating Income (Loss)	 <u>4,987</u>	 <u>(298,852)</u>
 <i>Non-Operating Cash Receipts</i>		
OWDA Loan Proceeds	327,798	113,122
Interest	<u>230</u>	<u>666</u>
 Total Non-Operating Cash Receipts	 <u>328,028</u>	 <u>113,788</u>
 <i>Non-Operating Cash Disbursements</i>		
Principal Payment	229,821	187,876
Interest Expense	<u>75,703</u>	<u>75,592</u>
 Total Non-Operating Cash Disbursements	 <u>305,524</u>	 <u>263,468</u>
 Net Receipts Over (Under) Disbursements	 <u>27,491</u>	 <u>(448,532)</u>
 Cash Balances, January 1	 <u>387,247</u>	 <u>835,779</u>
 Cash Balances, December 31	 <u>\$ 414,738</u>	 <u>\$ 387,247</u>

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

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Whitewater Township Regional Sewer District, Hamilton County, Ohio (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five-member Board of Trustees. The Board is appointed by the Whitewater Township Board of Trustees, and only those members who are residents of an area within the District's territory are eligible to serve as Board members. The District provides sewer services to residents of the District.

The District participates in the following entity risk pool:

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Note 6 to the financial statements provides additional information for this entity.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio is recorded at share values reported by the State Treasurer.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its fund into the following type:

1. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer services.

E. 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 object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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 canceled and re-appropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. 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.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$ 952	\$ 1,012
Other time deposits (savings and NOW accounts)	5,252	1,001
Total deposits	6,204	2,013
STAR Ohio	408,534	385,234
Total investments	408,534	385,234
Total deposits and investments	\$414,738	\$387,247

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 466,225	\$ 479,269	\$ 13,044

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 440,532	\$ 451,778	\$ (11,246)

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 69,596	\$ 253,451	\$ 183,855

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 602,514	\$ 701,983	\$ (99,469)

Contrary to Ohio Revised Code, Section 5705.41(B), expenditures exceeded amounts appropriated for 2011 and 2010.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Construction Loan #3502	\$ 912,089	5.15%
OWDA Construction Loan #4275	2,103,318	1%
OPWC Loan Project #CB22G	270,000	0%
OWDA Construction Loan #5260	382,656	1%
OWDA Construction Loan #5904	<u>317,948</u>	1%
Total	<u>\$3,986,011</u>	

The OWDA (Ohio Water Development Authority) Construction Loan #3502 was issued on June 28, 2001, for the purpose of constructing a sewer line. OWDA has approved up to \$1,358,971 in loans to the District for this project. This project was completed in 2004. The loan will be repaid semiannually over a period of 20 years at an interest rate of 5.15%.

The OWDA Construction Loan #4275 was issued on March 31, 2005, for the purpose of constructing a sewer line. OWDA has approved \$2,737,337 in loans to the District for this project. This project was completed in 2010. The loan will be repaid over a period of 20 years at an interest rate of 1%.

OPWC (Ohio Public Works Commission) Loan Project #CB22G was issued for the purpose of constructing a sewer line. OPWC approved \$400,000 in loans to the District project. The loan will be repaid over a period of 20 years at an interest rate of 0%.

OWDA Construction Loan #5260 was issued on September 24, 2009, for the purpose of constructing a sewer line. OWDA has approved up to \$441,554. As of December 31, 2011, the District has drawn down \$402,799 of available funds and made repayments of \$20,143 based on an interim re-payment schedule that has been established until final project costs are determined. Repayment of the loan began in July 2011 and will be repaid over 20 years at an interest rate of 1%. This loan is included in the amortization schedule below based on an interim repayment schedule assuming a total loan balance of \$441,554.

OWDA Construction Loan #5904 was issued on July 28, 2011, for the purpose of constructing a sewer line. OWDA has approved up to \$2,623,297. As of December 31, 2011, the District has drawn down \$317,948 of available funds. Repayment of the loan is scheduled to begin in July 2013 and will be repaid over 20 years at an interest rate of 1%. This loan is not included in the amortization schedule below because a repayment schedule has not been established.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

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

Year ending December 31:	OWDA Construction Loan #3502	OWDA Construction Loan #4275	OWPC Loan Project #CB22G	OWDA Construction Loan #5260	Total
2012	\$ 109,645	\$ 151,350	\$ 20,000	\$ 24,529	\$ 305,524
2013	109,645	151,350	20,000	24,529	305,524
2014	109,645	151,350	20,000	24,529	305,524
2015	109,645	151,350	20,000	24,529	305,524
2016	109,645	151,350	20,000	24,529	305,524
2017-2021	548,225	756,750	100,000	122,645	1,527,620
2022-2026	109,645	756,750	70,000	122,645	1,059,040
2027-2031	-	-	-	98,116	98,116
Total	<u>\$ 1,206,095</u>	<u>\$ 2,270,250</u>	<u>\$ 270,000</u>	<u>\$ 466,051</u>	<u>\$ 4,212,396</u>

5. RETIREMENT SYSTEMS

All full-time employees of the District belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, OPERS members contributed 10% of their gross wages into the plan. For 2011 and 2010 the District contributed an amount equal to 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2011.

6. RISK POOL MEMBERSHIP

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	\$ 20,631,198	\$ 21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the District's share of these unpaid claims collectible in future years is approximately \$1,000.

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.

Contributions to PEP	
2010	\$1,238
2011	1,928

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.

7. SUBSEQUENT EVENT

During May 2012, the District formally changed its name to the Whitewater Township Regional Sewer & Water District.

Bastin & Company, LLC

Certified Public Accountants

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*

To the Board of Trustees
Whitewater Township Regional Sewer District
Hamilton County, Ohio

We have audited the financial statements of the Whitewater Township Regional Sewer District, Hamilton County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 27, 2012, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2011-01.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, express no opinion on it.

We noted certain matters that we have reported to management of the District in a separate letter dated July 27, 2012.

This report is intended solely for the information and use of management, the Board of Trustees and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
July 27, 2012

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-01

Ohio Revised Code, Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. For 2011 and 2010, expenditures exceeded amounts appropriated as follows:

<u>Year</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
2011	\$440,532	\$451,778	(\$11,246)
2010	602,514	701,983	(99,469)

District's Response

The District adopted Resolutions 2011-06 and 2010-07 for calendar years 2011 and 2010, respectively. The intent of these resolutions was to provide sufficient appropriated amounts for all expenditures. It appears that amounts formally approved by the Board may not have considered certain expenditures related to OWDA loan programs. The District will more closely monitor appropriated amounts in the future to ensure compliance.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

There were no findings reported for the years ended December 31, 2009 and 2008.

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Dave Yost • Auditor of State

WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT

HAMILTON 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, 2012**