



OHIO AUDITOR OF STATE
KEITH FABER



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT
HENRY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Henry County Regional Water and Sewer District
Henry County
1857 Oakwood Avenue
Napoleon, Ohio 43545

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Henry County Regional Water and Sewer District, Henry County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Henry County Regional Water and Sewer District, Henry County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

May 13, 2019

Henry County Regional Water and Sewer District
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$647,414		\$647,414
Earnings on Investments		\$4	4
<i>Total Operating Cash Receipts</i>	<u>647,414</u>	<u>4</u>	<u>647,418</u>
Operating Cash Disbursements			
Employee Fringe Benefits	717		717
Contractual Services	624,743	82,941	707,684
Supplies and Materials	41,422		41,422
Other	3,140		3,140
<i>Total Operating Cash Disbursements</i>	<u>670,022</u>	<u>82,941</u>	<u>752,963</u>
<i>Operating Loss</i>	<u>(22,608)</u>	<u>(82,937)</u>	<u>(105,545)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental		125,000	125,000
Earnings on Investments	32		32
Other Debt Proceeds	239,536		239,536
Miscellaneous Receipts	16,049		16,049
Capital Outlay	(2,500)		(2,500)
Principal Retirement	(129,453)		(129,453)
Interest and Other Fiscal Charges	(43,539)		(43,539)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>80,125</u>	<u>125,000</u>	<u>205,125</u>
<i>Net Change in Fund Cash Balances</i>	57,517	42,063	99,580
<i>Fund Cash Balances, January 1</i>	<u>4,456</u>		<u>4,456</u>
<i>Fund Cash Balances, December 31</i>	<u>\$61,973</u>	<u>\$42,063</u>	<u>\$104,036</u>

See accompanying notes to the basic financial statements

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Henry County Regional Water and Sewer District (the District), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Henry County Commissioners appoint members to the Board of Trustees to direct the District. There are five Board of Trustees members. The District includes all unincorporated areas within the County and the Village of McClure excluding the Ridgeville Township Water and Sewer District. The District provides water and sewer services to residents of the District.

Joint Venture and Public Entity Risk Pool

The District participates in a public entity risk pool and joint venture. Notes 5 and 7 to the financial statements provide additional information for these entities. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

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

Water Fund This fund receives charges for services from the McClure, Road P, and SR 108 customers and operating loan monies from Henry County to operate the water system.

Sewer Fund This fund receives charges for services from the Okolona area residents and McClure residents to cover the costs to operate the sewer system.

Fiduciary Funds Fiduciary funds include agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District disburses these funds as directed by the individual, organization or other government. The District's agency fund accounts for the Michindoh Aquifer Study entered into by the District, the Village of Liberty Center, City of Maumee, City of Perrysburg, City of Sylvania, Village of Whitehouse, and Northwestern Water & Sewer District.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits

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

Capital Assets

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

	2018 Budgeted vs. Actual Receipts		
	Budgeted	Actual	
	Receipts	Receipts	Variance
Enterprise	\$1,473,509	\$903,031	(\$570,478)

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
	Authority	Expenditures	Variance
Enterprise	\$1,434,659	\$845,514	\$589,145

Note 4 – Deposits

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2018
Demand deposits	\$104,036

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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.

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Note 6 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CE271	\$35,466	0.00%
Ohio Public Works Commission Loan #CE56M	79,388	0.00%
Ohio Public Works Commission Loan #CE51Q	124,048	0.00%
Ohio Water Development Authority Loan #5633	184,791	3.34%
Ohio Water Development Authority Loan #6025	398,341	1.00%
Ohio Water Development Authority Loan #6026	889,788	1.00%
Ohio Water Development Authority Loan #6338	1,064,956	1.98%
Ohio Water Development Authority Loan #7480	237,200	2.51%
Loans Payable to Henry County	116,898	0.00%
Total	<u>\$3,130,876</u>	

Effective December 31, 2009 the District assumed the water and sewer debt of the Village of McClure, Henry County as part of an Assumption Agreement whereby the District also gained the Village's utility customers, property and funds. The Village of McClure debt included Sanitary Sewer Mortgage Revenue bonds, First Mortgage Waterworks Revenue Bonds, OPWC, loan #CE836, and OPWC loan #CE41H. This debt was all incurred by the Village of McClure for the construction or improvement of the water or sanitary sewer systems in the Village of McClure. Loan #CE836 was paid off in 2018 and loan #CE41H was paid off in 2016.

The Ohio Public Works Commission (OPWC) loan #CE271 was used to connect the District's Road P customers to the District waterline. Repayment of the OPWC loan began in 2007. Loan amount was \$83,450 over 20 years with a 0% interest rate and maturity date of 1/1/2027.

In 2011, the Ohio Public Works Commission (OPWC) loan #CE56M was acquired to finance the McClure Water Treatment and Distribution System Improvements. Repayment of the OPWC loan began in 2012. Loan amount was \$122,136 over 20 years with a 0% interest rate and maturity date of 1/1/2032.

In 2014, the Ohio Public Works Commission (OPWC) loan #CE51Q was acquired to finance the Water Meter and Hydrant Replacement Project. Repayment of the OPWC loan began in 2015. Loan amount was \$140,432 over 30 years with a 0% interest rate and maturity date of 1/1/2045.

The Ohio Water Development Authority (OWDA) loan #5633 is being used to finance the SR 108 Filling

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Home Waterline Project. Repayment of the OWDA loan began in 2012. Loan amount was \$262,532 over 20 years with a 3.34% interest rate and maturity date of 1/1/2032.

In 2011, the Ohio Water Development Authority (OWDA) loan #6025 was acquired to finance the Okolona Sewer Project. Repayment of the OWDA loan began in 2013. Loan amount was \$476,959 over 30 years with a 1.00% interest rate and maturity date of 1/1/2043.

In 2012, the District acquired OWDA Loan #6026 and used the proceeds to pay off the Sanitary Sewer Mortgage Revenue Bonds. The First Mortgage Waterworks Revenue Bonds and OPWC loan #CE41H, which were all attributable to the Assumption Agreement from the Village of McClure, and were paid off by the District in 2015. Loan amount was \$1,122,496 over 30 years with a 1.00% interest rate and maturity date of 1/1/2042.

In 2013, the Ohio Water Development Authority (OWDA) loan #6338 was acquired to connect a waterline to McClure and Construct a water tower. Part of this loan was also used to pay for Ohio Water Development Authority (OWDA) Loan #5668 for the planning and design of the McClure water connection. As of December 31, 2017, an amortization schedule has not been prepared as the project is not yet completed and all loan monies have not been disbursed. Until completion, the District makes payments based on invoices from OWDA. Repayment of the OWDA loan began in 2014. Loan amount was \$1,175,969 over 30 years with a 1.98% interest rate and maturity date of 1/1/2044.

In 2016, the Ohio Water Development Authority (OWDA) loan #7480 was acquired to finance a well field that could potentially serve the McClure water system. The Village of Liberty Center is also part of this project and is responsible for half the cost through an agreement established between the two entities. As of December 31, 2017, an amortization schedule has not been prepared as the project is not yet completed and all loan monies have not been disbursed. Until completion, the District makes payments based on invoices from OWDA. Repayment of the OWDA loan began in 2018. Loan amount was \$257,357 over 5 years with a 2.51% interest rate and maturity date of 7/1/2022.

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

Year Ending December 31:	OPWC Loan #CE27I	OPWC Loan #CE56M	OPWC Loan CE51Q
2019	\$4,172	\$6,107	\$4,681
2020	4,173	6,107	4,681
2021	4,172	6,107	4,681
2022	4,173	6,107	4,681
2023	4,172	6,107	4,681
2024-2028	14,604	30,534	23,405
2029-2033		18,319	23,405
2034-2038			23,405
2039-2043			23,405
2044-2048			7,023
Total	<u>\$35,466</u>	<u>\$79,388</u>	<u>\$124,048</u>

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Year Ending December 31:	OWDA Loan #5633	OWDA Loan #6025	OWDA Loan #6026
2019	\$8,820	\$9,355	\$21,701
2020	17,640	18,710	43,402
2021	17,640	18,710	43,402
2022	17,640	18,710	43,402
2023	17,640	18,710	43,402
2024-2028	88,199	93,550	217,010
2029-2033	61,739	93,550	217,010
2034-2038		93,550	217,010
2039-2043		84,195	151,907
2044-2048			
Total	<u>\$229,318</u>	<u>\$449,040</u>	<u>\$998,246</u>

In addition to the debt described above, the District has committed to repaying the Henry County Commissioners for an OWDA loan that was issued and paid off totaling \$111,898 for the purpose of forming the District, and a 2009 loan of \$5,000 for payment of an environmental report. These are being negotiated as the Commissioners feel partly responsible for portions of the loans. No repayment schedule has been made for this loan.

Note 7 – Joint Ventures

The District entered into an agreement with the Village of Liberty Center, Village of Whitehouse, City of Sylvania, City of Maumee, City of Perrysburg, and Northwestern Water and Sewer District for the Michindoh Aquifer Study. Each of the entities involved contributes an even portion of money to be put towards the expenses involved in the study. The District acts as the fiscal agent for the study, making disbursements to the necessary vendors and maintaining a savings account to track the financial activity of the study.

Henry County Regional Water and Sewer District
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Proprietary
	Enterprise
Operating Cash Receipts	
Charges for Services	\$641,734
<i>Total Operating Cash Receipts</i>	641,734
Operating Cash Disbursements	
Personal Services	1,900
Employee Fringe Benefits	660
Contractual Services	782,581
Supplies and Materials	42,272
Other	2,681
<i>Total Operating Cash Disbursements</i>	830,094
<i>Operating Loss</i>	(188,360)
Non-Operating Receipts (Disbursements)	
Earnings on Investments	49
Other Debt Proceeds	143,385
Miscellaneous Receipts	231,229
Capital Outlay	(2,500)
Principal Retirement	(140,059)
Interest and Other Fiscal Charges	(57,828)
<i>Total Non-Operating Receipts (Disbursements)</i>	174,276
<i>Net Change in Fund Cash Balances</i>	(14,084)
<i>Fund Cash Balances, January 1</i>	18,540
<i>Fund Cash Balances, December 31</i>	\$4,456

See accompanying notes to the basic financial statement

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Henry County Regional Water and Sewer District (the District), Henry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Henry County Commissioners appoint members to the Board of Trustees to direct the District. There are five Board of Trustees members. The District includes all unincorporated areas within the County and the Village of McClure excluding the Ridgeville Township Water and Sewer District. The District provides water and sewer services to residents of the District.

Public Entity Risk Pool

The District participates in a public entity risk pool. Note 5 to the financial statement provides additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

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Sewer Fund This fund receives charges for services from the Okolona area residents and McClure residents to cover the costs to operate the sewer system.

Basis of Accounting

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

This statement includes 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.

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Budgetary Process

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits

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

Capital Assets

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

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
	Receipts	Receipts	Variance
Enterprise	\$1,716,240	\$1,016,397	(\$699,843)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
	Authority	Expenditures	Variance
Enterprise	\$1,652,928	\$1,030,481	\$622,447

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Note 4 – Deposits

The District maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2017
Demand deposits	<u>\$4,456</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Risk Management

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Note 6 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CE836	\$4,659	4.00%
Ohio Public Works Commission Loan #CE271	39,639	0.00%
Ohio Public Works Commission Loan #CE56M	85,495	0.00%
Ohio Public Works Commission Loan #CE51Q	128,729	0.00%
Ohio Water Development Authority Loan #5633	195,977	3.34%
Ohio Water Development Authority Loan #6025	412,958	1.00%
Ohio Water Development Authority Loan #6026	924,035	1.00%
Ohio Water Development Authority Loan #6338	1,102,254	1.98%
Ohio Water Development Authority Loan #7480	91,166	2.51%
Loans Payable to Henry County	<u>116,898</u>	0.00%
Total	<u><u>\$3,101,810</u></u>	

Effective December 31, 2009 the District assumed the water and sewer debt of the Village of McClure, Henry County as part of an Assumption Agreement whereby the District also gained the Village's utility customers, property and funds. The Village of McClure debt included Sanitary Sewer Mortgage Revenue bonds, First Mortgage Waterworks Revenue Bonds, OPWC, loan #CE836, and OPWC loan #CE41H. This debt was all incurred by the Village of McClure for the construction or improvement of the water or sanitary sewer systems in the Village of McClure. Loan #CE836 was originally issued for \$190,538 over 20 years with an interest rate of 4.00% and maturity date of 1/1/2018. Loan #CE41H was paid off in 2016.

The Ohio Public Works Commission (OPWC) loan #CE271 was used to connect the District's Road P customers to the District waterline. Repayment of the OPWC loan began in 2007. Loan amount was \$83,450 over 20 years with a 0% interest rate and maturity date of 1/1/2027.

In 2011, the Ohio Public Works Commission (OPWC) loan #CE56M was acquired to finance the McClure Water Treatment and Distribution System Improvements. Repayment of the OPWC loan began in 2012. Loan amount was \$122,136 over 20 years with a 0% interest rate and maturity date of 1/1/2032.

In 2014, the Ohio Public Works Commission (OPWC) loan #CE51Q was acquired to finance the Water Meter and Hydrant Replacement Project. Repayment of the OPWC loan began in 2015. Loan amount was \$140,432 over 30 years with a 0% interest rate and maturity date of 1/1/2045.

The Ohio Water Development Authority (OWDA) loan #5633 is being used to finance the SR 108 Filling Home Waterline Project. Repayment of the OWDA loan began in 2012. Loan amount was \$262,532 over 20 years with a 3.34% interest rate and maturity date of 1/1/2032.

In 2011, the Ohio Water Development Authority (OWDA) loan #6025 was acquired to finance the Okolona Sewer Project. Repayment of the OWDA loan began in 2013. Loan amount was \$476,959 over 30 years with a 1.00% interest rate and maturity date of 1/1/2043.

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statement

For the Year Ended December 31, 2017

In 2012, the District acquired OWDA Loan #6026 and used the proceeds to pay off the Sanitary Sewer Mortgage Revenue Bonds. The First Mortgage Waterworks Revenue Bonds and OPWC loan #CE41H, which were all attributable to the Assumption Agreement from the Village of McClure, and were paid off by the District in 2015. Loan amount was \$1,122,496 over 30 years with a 1.00% interest rate and maturity date of 1/1/2042.

In 2013, the Ohio Water Development Authority (OWDA) loan #6338 was acquired to connect a waterline to McClure and Construct a water tower. Part of this loan was also used to pay for Ohio Water Development Authority (OWDA) Loan #5668 for the planning and design of the McClure water connection. As of December 31, 2017, an amortization schedule has not been prepared as the project is not yet completed and all loan monies have not been disbursed. Until completion, the District makes payments based on invoices from OWDA. Repayment of the OWDA loan began in 2014. Loan amount was \$1,175,969 over 30 years with a 1.98% interest rate and maturity date of 1/1/2044.

In 2016, the Ohio Water Development Authority (OWDA) loan #7480 was acquired to finance a well field that could potentially serve the McClure water system. The Village of Liberty Center is also part of this project and is responsible for half the cost through an agreement established between the two entities. As of December 31, 2017, an amortization schedule has not been prepared as the project is not yet completed and all loan monies have not been disbursed. Until completion, the District makes payments based on invoices from OWDA. Repayment of the OWDA loan began in 2018. Loan amount was \$257,357 over 5 years with a 2.51% interest rate and maturity date of 7/1/2022.

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

Year Ending December 31:	OPWC Loan #CE836	OPWC Loan #CE27I	OPWC Loan #CE56M	OPWC Loan CE51Q
2018	\$4,752	\$4,172	\$6,107	\$4,681
2019		4,173	6,107	4,681
2020		4,172	6,107	4,681
2021		4,173	6,107	4,681
2022		4,173	6,107	4,681
2023-2027		18,776	30,534	23,405
2028-2032			24,426	23,405
2033-2037				23,405
2038-2042				23,405
2043-2047				11,704
Total	\$4,752	\$39,639	\$85,495	\$128,729

Henry County Regional Water and Sewer District

Henry County

Notes to the Financial Statement

For the Year Ended December 31, 2017

Year Ending December 31:	OWDA Loan #5633	OWDA Loan #6025	OWDA Loan #6026
2018	\$8,820	\$9,355	\$21,701
2019	17,640	18,710	43,402
2020	17,640	18,710	43,402
2021	17,640	18,710	43,402
2022	17,640	18,710	43,402
2023-2027	88,199	93,550	217,010
2028-2032	79,379	93,550	217,010
2033-2037		93,550	217,010
2038-2042		93,550	195,309
2043-2047		9,355	
Total	<u>\$246,958</u>	<u>\$467,750</u>	<u>\$1,041,648</u>

In addition to the debt described above, the District has committed to repaying the Henry County Commissioners for an OWDA loan that was issued and paid off totaling \$111,898 for the purpose of forming the District, and a 2009 loan of \$5,000 for payment of an environmental report. These are being negotiated as the Commissioners feel partly responsible for portions of the loans. No repayment schedule has been made for this loan.

OHIO AUDITOR OF STATE KEITH FABER



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

Henry County Regional Water and Sewer District
Henry County
1857 Oakwood Avenue
Napoleon, Ohio 43545

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Henry County Regional Water and Sewer District, Henry County, Ohio (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2019, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

May 13, 2019

**HENRY COUNTRY REGIONAL WATER AND SEWER DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District's activity. The District should have procedures in place to prevent or detect material misstatements for the accurate presentation of the District's financial statements.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- Contractual services disbursements of \$522,698 were improperly coded as Other Disbursements within the Water Fund;
- Contractual services disbursements of \$38,421 were improperly coded as Other Disbursements within the Sewer Fund;
- Debt Proceed receipts of \$239,536 were improperly recorded as Other Financing Sources in within the Water Fund;
- Agency Fund disbursements of \$82,941 were improperly recorded as Other Financing Sources with the Water Fund;
- Intergovernmental receipts of \$125,000 were not recorded in an Agency Fund for the Michindoh Aquifer Study.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2017:

- Contractual services disbursements of \$646,035 were improperly coded as Other Disbursements within the Water Fund;
- Contractual services disbursements of \$72,295 were improperly coded as Other Disbursements within the Sewer Fund;
- Debt Proceed receipts of \$143,385 were improperly recorded as Other Financing Sources within the Water Fund.

These errors were not identified and corrected prior to the District preparing its financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and where applicable, the District's accounting records have been adjusted to correct these errors. Failing to provide accurate financial information could

lead to the Board making misinformed decisions. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the District should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Facilitator and Board of Directors.

Officials' Response:

We agree that proper recording and classification of revenues and expenditures is critical to the District. We are working with our consultant to ensure that revenues and expenditures are properly categorized and will ensure that our policies and procedures are updated to properly address these matters.

**HENRY COUNTRY REGIONAL WATER AND SEWER DISTRICT
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness due to late payments being made on OWDA loans and the accumulation of late fees.	Fully corrected.	
2016-002	Finding was first issued in the 2007-2008 audit. Material weakness due to errors in financial reporting and monitoring the financial statements, resulting in audit adjustments.	Not corrected and repeated as Finding 2018-001.	Recurrence happened due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Board of Trustees will perform detailed reviews of financial information to ensure monies are properly posted.

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OHIO AUDITOR OF STATE KEITH FABER



HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT

HENRY 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
JUNE 11, 2019**