



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Walnut Creek Sewer District
8125 Maple Street P.O. Box 178
Thurston, Ohio 43157

We have reviewed the *Independent Auditor's Report* of Walnut Creek Sewer District, Fairfield County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2021 through December 31, 2022. 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. Walnut Creek Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 05, 2023

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WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY
For the Fiscal Years Ended December 31, 2022 and 2021
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INDEPENDENT AUDITOR'S REPORT

Walnut Creek Sewer District
Fairfield County
8125 Maple Street
PO Box 178
Thurston, Ohio 43157

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Walnut Creek Sewer District, Fairfield County, Ohio (the District), which comprises the cash balances, receipts and disbursements as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021 or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by District on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, 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. The purpose of that report is solely 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.



BHM CPA Group, Inc.
Piketon, Ohio
May 31, 2023

Walnut Creek Sewer District
Fairfield County
Statement of Receipts, Disbursements and
Changes In Fund Balance (Regulatory Cash Basis)
For the Year Ended December 31, 2022

<hr/> <hr/>	
Operating Receipts	
Charges for Services	\$ 402,453
Miscellaneous	18,004
	<hr/>
<i>Total Operating Receipts</i>	<i>420,457</i>
	<hr/>
Operating Disbursements	
Personal Services	31,626
Utilities	38,405
Repairs and Maintenance	72,664
Testing and Licenses	9,701
Contractual Services	99,569
Office Supplies	1,049
Engineering and Grants	38,606
	<hr/>
<i>Total Operating Disbursements</i>	<i>291,620</i>
	<hr/>
<i>Operating Income (Loss)</i>	<i>128,837</i>
Other Financing Receipts (Disbursements)	
Earnings on Investments	789
Capital Outlay	(25,976)
Principal Retirement	(54,221)
Interest and Fiscal Charges	(805)
Other Financing Sources	37,003
Other Financing Uses	(5,625)
	<hr/>
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(48,835)</i>
	<hr/>
<i>Net Change in Fund Cash Balance</i>	<i>80,002</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>954,625</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,034,627</i>
	<hr/> <hr/>

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

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Walnut Creek Sewer District, Fairfield County, Ohio (the District), 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. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are six Board of Trustees members. Subdivisions within the District are the Village of Pleasantville and Village of Thurston. The District provides sewer services to residents of the District.

Public Entity Risk Pool

The District participates in the Ohio Plan Risk Management, Inc (OPRM), a public entity risk pool. Note 5 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.

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).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The District 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 disbursements 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 (C) permit.

Budgetary Process

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

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

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

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 2022 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Budgeted Receipts	Actual Receipts	Variance	
\$ 421,247	\$ 458,249	\$	37,002
2022 Budgeted vs. Actual Budgetary Basis Disbursements			
Appropriation Authority	Budgetary Disbursements	Variance	
\$ 460,000	\$ 378,247	\$	81,753

Note 4 – Deposits

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

	2022
Demand deposits	\$ 929,951
Certificates of deposit	104,676
Total deposits	\$1,034,627

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits (continued)

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the District does not have any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the District; or collateralized through 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.

Note 5 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 – Risk Management (continued)

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021 (latest information available):

Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2022.

Note 7 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4% during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
OWDA Loan #4060	\$ 19,211	5.16%
OWDA Loan #8762	60,512	0.00%
OWDA Loan #5194	35,045	0.00%
OPWC Loan #CQ28L	144,171	0.00%
OPWC Loan #CQ29M	349,740	0.00%
Total	\$608,679	

Amortization

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

Year Ending December 31:	OWDA Loan	OPWC Loans
2023	\$ 1,006	\$ 23,127
2024	2,024	26,823
2025	2,039	26,823
2026	2,055	26,823
2027	2,072	26,823
2028-2032	10,644	134,117
2033-2037	4,409	134,117
2038-2042	-	95,258
Total	\$24,249	\$493,911

The District borrowed \$63,182 in 2008 from the Ohio Water Development Authority (OWDA) project loan number 4060 for the purpose of the sewer rehabilitation project, to be repaid in bi-annual installments of \$1,117 at 5% interest out with the maturity date of July 1, 2034. The District intends to pay this with user charges.

The District entered in a loan agreement the Ohio Water Development Authority (OWDA) project loan number 5194 for the purpose of the WTP expansion design project. There is no amortization schedule available as of December 31, 2022.

The District entered in a loan agreement the Ohio Water Development Authority (OWDA) project loan number 8762 for the purpose of the WTP expansion design project. The District intends to pay this with user charges. There is no amortization schedule available as of December 31, 2022.

The District borrowed \$221,801 in 2012 from the Ohio Public Works Commission (OPWC) project loan number CQ28L for the purpose of the WWTP Improvements- Equalization basin project, to be repaid in bi-annual installments of \$3,696 at 0% interest out with the maturity date of January 1, 2042. The District intends to pay this with user charges.

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 8 – Debt (continued)

The District borrowed \$582,900 in 2011 from the Ohio Public Works Commission (OPWC) project loan number CQ29M for the purpose of the WWTP Improvements- Phase II project, to be repaid in bi- annual installments of \$9,715 at 0% interest out with the maturity date of July 1, 2040. The District intends to pay this with user charges.

Note 9 – Contingent Liabilities

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the District's financial condition.

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Walnut Creek Sewer District
Fairfield County
Statement of Receipts, Disbursements and
Changes In Fund Balance (Regulatory Cash Basis)
For the Year Ended December 31, 2021

Operating Receipts	
Charges for Services	\$ 393,979
Miscellaneous	9,052
	<hr/>
<i>Total Operating Receipts</i>	403,031
 Operating Disbursements	
Personal Services	41,444
Utilities	36,021
Repairs and Maintenance	60,534
Testing and Licenses	12,621
Contractual Services	83,135
Office Supplies	1,225
Engineering and Grants	15,634
	<hr/>
<i>Total Operating Disbursements</i>	250,614
 <i>Operating Income (Loss)</i>	 152,417
 Other Financing Receipts (Disbursements)	
Earnings on Investments	880
Capital Outlay	(22,246)
Principal Retirement	(54,162)
Interest and Fiscal Charges	(849)
Other Financing Sources	15,272
Other Financing Uses	(5,625)
	<hr/>
<i>Total Other Financing Receipts (Disbursements)</i>	(66,730)
 <i>Net Change in Fund Cash Balance</i>	 85,687
 <i>Fund Cash Balances, January 1</i>	 868,938
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$ 954,625</u>

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

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Walnut Creek Sewer District (the District), Fairfield County, Ohio, 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. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are six Board of Trustees members. Subdivisions within the District are the Village of Pleasantville and Village of Thurston. The District provides sewer services to residents of the District.

Public Entity Risk Pool

The District participates in the Ohio Plan Risk Management, Inc (OPRM), a public entity risk pool. Note 5 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.

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).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The District 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 disbursements 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 (C) permit.

Budgetary Process

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

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

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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 2021 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Budgeted Receipts	Actual Receipts	Variance	
\$ 419,183	\$ 419,183	\$	-
2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Appropriation Authority	Budgetary Disbursements	Variance	
\$ 483,284	\$ 333,496	\$	149,788

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits

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

	<u>2021</u>
Demand deposits	\$ 850,002
Certificates of deposit	<u>104,623</u>
Total deposits	<u>\$ 954,625</u>

The District does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the District does not have any unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the District; or collateralized through 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.

Note 5 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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.

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Risk Management (continued)

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021:

Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2021.

Note 7 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4% during calendar year 2021.

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #4060	\$ 20,409	5.16%
OWDA Loan #8762	49,709	0.00%
OWDA Loan #5194	35,045	0.00%
OPWC Loan #CQ28L	151,564	0.00%
OPWC Loan #CQ29M	369,170	0.00%
Total	<u>\$625,897</u>	

Amortization

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

<u>Year Ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loans</u>
2022	\$ 1,996	\$ 26,823
2023	2,009	26,823
2024	2,024	26,823
2025	2,039	26,823
2026	2,055	26,823
2027-2031	10,545	134,117
2032-2036	6,580	134,117
2037-2041	-	114,687
2042-2046	-	3,698
Total	<u>\$27,248</u>	<u>\$520,734</u>

The District borrowed \$63,182 in 2008 from the Ohio Water Development Authority (OWDA) project loan number 4060 for the purpose of the sewer rehabilitation project, to be repaid in bi-annual installments of \$1,117 at 5% interest out with the maturity date of July 1, 2034. The District intends to pay this with user charges.

The District entered in a loan agreement the Ohio Water Development Authority (OWDA) project loan number 5194 for the purpose of the WTP expansion design project. There is no amortization schedule available as of December 31, 2021.

The District entered in a loan agreement the Ohio Water Development Authority (OWDA) project loan number 8762 for the purpose of the WTP expansion design project. The District intends to pay this with user charges. There is no amortization schedule available as of December 31, 2021.

Walnut Creek Sewer District
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Debt (continued)

The District borrowed \$221,801 in 2012 from the Ohio Public Works Commission (OPWC) project loan number CQ28L for the purpose of the WWTP Improvements- Equalization basin project, to be repaid in bi- annual installments of \$3,696 at 0% interest out with the maturity date of January 1, 2042. The District intends to pay this with user charges.

The District borrowed \$582,900 in 2011 from the Ohio Public Works Commission (OPWC) project loan number CQ29M for the purpose of the WWTP Improvements- Phase II project, to be repaid in bi- annual installments of \$9,715 at 0% interest out with the maturity date of July 1, 2040. The District intends to pay this with user charges.

Note 9 – Contingent Liabilities

The District may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the District's financial condition.

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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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**

Walnut Creek Sewer District
Fairfield County
8125 Maple Street
PO Box 178
Thurston, Ohio 43157

To the Board of Trustees:

We have audited, 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 (Government Auditing Standards), the financial statements of the cash balances, receipts, and disbursements as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Walnut Creek Sewer District, Fairfield County, (the District) and have issued our report thereon dated May 31, 2023, wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District.

Report on 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) as a basis for designing 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 District'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

Handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
May 31, 2023

OHIO AUDITOR OF STATE KEITH FABER



WALNUT CREEK SEWER DISTRICT

FAIRFIELD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 7/18/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov