

***CLINTON TOWNSHIP WATER AND SEWER DISTRICT
KNOX COUNTY
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015***





Dave Yost • Auditor of State

Board of Trustees
Clinton Water and Sewer District
350 Johnson Avenue
Mt. Vernon, Ohio 45050

We have reviewed the *Independent Auditor's Report* of the Clinton Water and Sewer District, Knox County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clinton Water and Sewer District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 13, 2017

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CLINTON TOWNSHIP WATER AND SEWER DISTRICT
KNOX COUNTY
AUDIT REPORT
For the Years Ending December 31, 2016 and 2015

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

REPORT OF INDEPENDENT AUDITORS

Clinton Township Water and Sewer District
Knox County
350 Johnson Ave
Mt Vernon, Ohio 45050

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the business-type activities of the Clinton Township Water and Sewer District, Knox County, Ohio (the District), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of the business-type activities, of Clinton Township Water and Sewer District, Knox County, Ohio, as of December 31, 2016 and 2015, and the changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

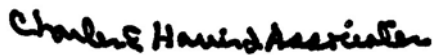
Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 23, 2017

Clinton Water and Sewer District
Knox County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and December 31, 2015
(Unaudited)

The management's discussion and analysis of the Clinton Water and Sewer District (the "District") financial performance provides an overall review of the District's financial activities for the years ended December 31, 2016 and 2015, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 and 2015 are as follows:

The District's net cash position increased by \$57,954 (11.2%) in 2016 and increased by \$80,767 (18.5%) in 2015.

The District's only fund is the water and sewer fund. This fund's operating cash receipts decreased by \$18,893 (-5.3%) in 2016 and increased by \$91,454 (34.3%) in 2015 and operating cash disbursements decreased by \$19,325 (-72.1%) in 2016 and decreased by \$3,652 (-12.0%) in 2015.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Statements of Net Position-Cash Basis and the Statements of Cash Receipts, Disbursements and Changes in Net Position-Cash Basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other income. Receipts are reported when received and disbursements are reported when paid.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Clinton Water and Sewer District
Knox County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and December 31, 2015
(Unaudited)

STATEMENTS OF NET POSITION-CASH BASIS

Table 1 summarizes the Statements of Net Position of the District.

TABLE 1	<u>2016</u>	<u>2015</u>	<u>Change Amount</u>	<u>2014</u>	<u>Change Amount</u>
Cash and Cash Equivalents	\$ 574,454	\$ 516,500	\$ 57,954	\$ 435,733	\$ 80,767
Total Assets	<u>\$ 574,454</u>	<u>\$ 516,500</u>	<u>\$ 57,954</u>	<u>\$ 435,733</u>	<u>\$ 80,767</u>
Net Position - Unrestricted	\$ 574,454	\$ 516,500	\$ 57,954	\$ 435,733	\$ 80,767
Total Net Position	<u>\$ 574,454</u>	<u>\$ 516,500</u>	<u>\$ 57,954</u>	<u>\$ 435,733</u>	<u>\$ 80,767</u>

The District's net position increased by \$57,954 in 2016 and increased by \$80,767 in 2015. The increase in 2016 was due to an excess of receipts over disbursements and the increase in 2015 was due to an excess of receipts over disbursements which changes are explained in more detail on the following page.

Clinton Water and Sewer District
Knox County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2016 and December 31, 2015
(Unaudited)

STATEMENTS OF CHANGES IN NET POSITION – CASH BASIS

Table 2 below summarizes the changes in Cash Receipts, Cash Disbursements and the resulting change in Net Position.

Table 2	2016	2015	Difference	2014	Difference
Operating Cash Receipts	\$ 339,117	\$ 358,010	\$ (18,893)	\$ 266,556	\$ 91,454
Operating Cash Disbursements	7,478	26,802	(19,324)	30,454	(3,652)
Operating Cash Receipts Over Operating Cash Disbursements	331,639	331,208	431	236,102	95,106
Non-Operating Cash Receipts	153,815	244,877	(91,062)	160,365	84,512
Non-Operating Cash Disbursements	427,500	495,318	(67,818)	495,318	-
Changes in Net Position	57,954	80,767	(22,813)	(98,851)	179,618
Net Position, January 1	516,500	435,733	80,767	534,584	(98,851)
Net Position, December 31	<u>\$ 574,454</u>	<u>\$ 516,500</u>	<u>\$ 57,954</u>	<u>\$ 435,733</u>	<u>\$ 80,767</u>

From 2015 to 2016 operating cash receipts decreased \$18,893 due to a decrease in rates. Operating disbursements decreased due to a decrease in Other Contractual Services, which primarily related to accounting, audit and legal services. Non-operating receipts declined as the District had received a \$90,000 one-time settlement in 2015. Non-operating cash disbursements declined as interest disbursements were reduced in 2016 due to an OWDA interest subsidy.

From 2014 to 2015 operating cash receipts increased \$91,454 because the District only recorded three quarters of receipts from the City in 2014 because the City had remitted the 4th quarter of 2013 receipts early and the receipts were actually received in 2013 instead of 2014. Operating disbursements decreased slightly as insurance costs declined. Non-operating receipts increased primarily due to a one-time \$90,000 settlement related to the transfer of customers out of the District which was partially offset by a decrease in special assessment collections. Non-operating cash disbursements were unchanged as debt payments are consistent year to year.

CAPITAL ASSETS

The District does not record capital assets in the accompanying basic financial statements under the cash basis of accounting, but records payments for capital assets as disbursements. The District had no capital outlay disbursements during 2016 and 2015.

Clinton Water and Sewer District
 Knox County, Ohio
 Management's Discussion and Analysis
 For the Years Ended December 31, 2016 and December 31, 2015
 (Unaudited)

DEBT

Under the cash basis of accounting, the District does not report its long-term notes in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about loans. Additional information regarding debt can be found in Note 5 of the Notes to the Basic Financial Statements.

TABLE 3	2016	2015	Difference	2014	Difference
1997 OWDA - #3154	\$ 1,256,735	\$ 1,385,694	\$ (128,959)	\$ 1,507,147	\$ (121,453)
1998 OWDA - #3157	453,728	494,526	(40,798)	533,138	(38,612)
1999 OWDA - #2146	519,382	559,455	(40,073)	597,312	(37,857)
2000 OWDA - #3312	782,109	836,554	(54,445)	887,680	(51,126)
2005 OWDA - #4325	338,798	354,412	(15,614)	369,275	(14,863)
Total Long Term Debt	\$ 3,350,752	\$ 3,630,641	\$ (279,889)	\$ 3,894,552	\$ (263,911)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents on December 31, 2016 and 2015 were \$574,454 and \$516,500, respectively.

CURRENT ISSUES

The Clinton Water and Sewer District strives to provide the highest quality of service at the lowest possible cost to its customers. Increasing the District's customer base through managed growth in the Township will benefit the District and its customers. It is important to note that the District receives their service charges through collections made by the City of Mount Vernon and remitted to the District on a quarterly basis. There are a number of delinquent accounts receivable for which the District is working diligently with the City to ensure that these delinquencies are followed up on so that the District's cash flow does not continue to be negatively impacted.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Chris Buttke, Board Member/Treasurer, Clinton Water and Sewer District, 350 Johnson Avenue, Mount Vernon, Ohio 43050-4726 or (614) 332-7499.

Clinton Water and Sewer District
Knox County, Ohio
Statements of Net Position - Cash Basis
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents	\$ 574,454	\$ 516,500
<i>Total Assets</i>	<u>\$ 574,454</u>	<u>\$ 516,500</u>
Net Position		
Unrestricted	\$ 574,454	\$ 516,500
<i>Total Net Position</i>	<u>\$ 574,454</u>	<u>\$ 516,500</u>

See accompanying notes to the basic financial statements.

Clinton Water and Sewer District
Knox County, Ohio
Statements of Cash Receipts, Disbursements and
Changes in Net Position - Cash Basis
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Cash Receipts		
Charges for Services	\$ 339,117	\$ 358,010
Operating Cash Disbursements		
Personal Services	3,049	3,529
Other Contractual Services	2,513	21,423
General Operating	22	14
Insurance	1,806	1,806
Bank Service Charge	88	30
<i>Total Operating Cash Disbursements</i>	<u>7,478</u>	<u>26,802</u>
Operating Cash Receipts Over Operating Cash Disbursements	<u>331,639</u>	<u>331,208</u>
Non-Operating Cash Receipts		
Interest	90	51
One-time Settlement for Transfer of Customers	-	90,000
Special Assessments	149,755	150,826
Tap Fees	3,970	4,000
<i>Total Non-Operating Cash Receipts</i>	<u>153,815</u>	<u>244,877</u>
Non-Operating Cash Disbursements		
Debt Service - Principal	279,889	263,911
Debt Service - Interest	147,611	231,407
<i>Total Non-Operating Cash Disbursements</i>	<u>427,500</u>	<u>495,318</u>
<i>Changes in Net Position</i>	57,954	80,767
<i>Net Cash Position, January 1</i>	<u>516,500</u>	<u>435,733</u>
<i>Net Cash Position, December 31</i>	<u>\$ 574,454</u>	<u>\$ 516,500</u>

See accompanying notes to the basic financial statements.

Clinton Water and Sewer District
Knox County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 1 - NATURE OF ORGANIZATION

The Clinton Water and Sewer District, Knox County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was created on October 16, 1990, by the Court of Common Pleas, Knox County, to provide water and sewer services to the residents of Clinton Township in accordance with the provisions of Ohio Revised Code Section 6119.01. A three (3) member appointed Board of Trustees manages the District.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision to the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District revenues.

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

The District's management believes the cash basis basic financial statements included in this report represent all of the activities for which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Accounting

These financial statements follow the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the basis of accounting as described above, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting as described above.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund accounts for the governmental resources allocated to it and the segregation of cash and investments for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The fund type, which the District uses, is described below:

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

Enterprise Fund - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services to the general public on a continuing basis are financed or received primarily through user charges. The District had the following significant enterprise fund:

Water and Sewer Fund – This fund receives charges for services and special assessments to cover the cost of providing these services and repayment of outstanding debt.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget and has adopted and passed annual appropriations resolutions for the years ended December 31, 2016 and 2015. A summary of 2016 and 2015 budgetary activity appears in Note 3, entitled “Budgetary Activity.”

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

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

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

Cash and Investments

For reporting purposes, the District considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income received by the District totaled \$90 and \$51 for the years ended December 31, 2016 and 2015, respectively.

Capital Assets

Capital assets are not capitalized or recorded in the accompanying basic financial statements by the District under the cash basis of accounting. Instead, capital acquisition and construction costs are reflected as disbursements in the year expended. Depreciation is not recorded.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Since under the District’s current basis of accounting, the District does not record any other assets other than cash and cash equivalents or any deferred outflows of resources and does not record any liabilities or deferred inflows of resources, net position is equivalent to cash and cash equivalents. The District currently does not record any restrictions on their net position.

Pensions

Under the District’s current basis of accounting, the District does not record any liabilities. See Note 7 for additional information.

Clinton Water and Sewer District
 Knox County, Ohio
 Notes to the Basic Financial Statements
 For the Years Ended December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those receipts that are generated directly from the primary activity of the enterprise fund. For the District, these cash receipts are charges for water and sewer services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2016 and 2015 follows:

	2016	2015
Budgeted receipts	\$ 482,000	\$ 505,300
Actual receipts	492,932	602,887
Variance - favorable	\$ 10,932	\$ 97,587

Budgeted vs. Actual Budgetary Basis Expenditures

	2016	0	2015
Appropriation authority	\$ 525,818		\$ 533,818
Budgetary disbursements	434,978		522,120
Variance - favorable	\$ 90,840		\$ 11,698

NOTE 4 - CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTE 4 - CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS – (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District’s total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District’s average portfolio.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Clinton Water and Sewer District
Knox County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 4 - CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS – (Continued)

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

The bank balances were \$574,454 and \$516,500 at December 31, 2016 and 2015, respectively. At both fiscal year ends, the bank balances were either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments – The District had no investments as December 31, 2016 and December 31, 2015.

NOTE 5 - DEBT

In connection with the OWDA loans, the District has pledged future water collection revenues to repay this debt. The loans are payable through their final maturities solely from water collection revenues received from water customers. The revenue available for these loans for 2016 and 2015 was \$488,872 and \$508,836, respectively, and principal and interest paid was \$427,500 and \$495,318, respectively. The coverage ratios for these loans were 1.14 and 1.03 for the years ended December 31, 2016 and 2015, respectively. The original issue amount of all of the OWDA debt shown below was a total of \$6,346,933.

At December 31, 2016 and 2015, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/16</u>	<u>Balance at 12/31/15</u>
#3154 - 1997 Ohio Water Development Authority (OWDA) Loan, (original issue amount of \$2,696,939), for the construction of sewer system, due in annual installments of \$214,595 through 2024, bearing interest at 6.18%.	\$1,256,735	\$1,385,694
#3157 - 1998 OWDA Loan, (original issue amount of \$908,480), for the construction of sewer system, due in annual installments of \$68,788 through 2025, bearing interest at 5.66%.	453,728	494,526
#2146 - 1999 OWDA Loan, (original issue amount of \$944,000), for the construction of sewer system, due in annual installments of \$71,784 through 2026, bearing interest of 5.77%.	519,382	559,455
#3312 - 2000 OWDA Loan, (original issue amount of \$1,327,549), for the construction of sewer system, due in annual installments of \$107,049 through 2027, bearing interest of 6.397%.	782,109	836,554
#4325 – 2005 OWDA Loan, (original issue amount of \$469,965), for cash flow purposes, due in annual installments of \$33,107 through 2031, bearing interest of 4.99%.	<u>338,798</u>	<u>354,412</u>
Total debt obligations at December 31	<u>\$3,350,752</u>	<u>\$3,630,641</u>

Clinton Water and Sewer District
Knox County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 5 - DEBT – (Continued)

Transactions for the years ended December 31, 2016 and 2015 are summarized as follows:

	Balance at 12/31/2015	Proceeds	Payments	Balance at 12/31/2016	Due Within One Year
1997 OWDA - #3154	\$ 1,385,694	\$ -	\$ (128,959)	\$ 1,256,735	136,928
1998 OWDA - #3157	494,526	-	(40,798)	453,728	43,107
1999 OWDA - #2146	559,455	-	(40,073)	519,382	42,419
2000 OWDA - #3312	836,554	-	(54,445)	782,109	57,980
2005 OWDA - #4325	354,412	-	(15,614)	338,798	16,403
	<u>\$ 3,630,641</u>	<u>\$ -</u>	<u>\$ (279,889)</u>	<u>\$ 3,350,752</u>	<u>\$ 296,837</u>

	Balance at 12/31/2014	Proceeds	Payments	Balance at 12/31/2015	Due Within One Year
1997 OWDA - #3154	\$ 1,507,147	\$ -	\$ (121,453)	\$ 1,385,694	\$ 128,959
1998 OWDA - #3157	533,138	-	(38,612)	494,526	40,798
1999 OWDA - #2146	597,312	-	(37,857)	559,455	40,073
2000 OWDA - #3312	887,680	-	(51,126)	836,554	54,445
2005 OWDA - #4325	369,275	-	(14,863)	354,412	15,614
	<u>\$ 3,894,552</u>	<u>\$ -</u>	<u>\$ (263,911)</u>	<u>\$ 3,630,641</u>	<u>\$ 279,889</u>

On February 18, 2016, the District was notified by the Ohio Water Development Authority (OWDA) that they have implemented an interest rate buy-down program to assist communities and local governments with outstanding OWDA loans. Any District OWDA loans with interest rates exceeding 4.00% will see a reduction of the interest rate to 4.00%. The buy-down was credited to District payments starting with the July 1, 2016 due dates and resulted in an interest subsidy of \$67,818 in 2016. The District will receive an estimated \$320,458 of additional interest subsidies through 2026 in the following amounts annually:

2017	\$62,288
2018	56,418
2019	50,187
2020	43,573
2021	36,552
2022	29,099
2023	21,187
2024	12,789
2025	6,216
2026	2,149
Total	<u>\$320,458</u>

Clinton Water and Sewer District
Knox County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 5 - DEBT – (Continued)

Future principal and interest payments (which include the total amount of interest prior to subsidy) on all loans are as follows:

Year Ending December 31,	OWDA #3154		OWDA #3157		OWDA #2146	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	136,928	77,666	43,107	25,681	42,419	29,365
2018	145,391	69,204	45,547	23,241	44,902	26,882
2019	154,376	60,219	48,125	20,663	47,530	24,254
2020	163,916	50,678	50,848	17,939	50,312	21,472
2021	174,046	40,548	53,726	15,061	53,256	18,527
2022-2026	482,078	54,409	212,375	28,382	280,963	42,064
Total	<u>\$ 1,256,735</u>	<u>\$ 352,724</u>	<u>\$ 453,728</u>	<u>\$ 130,967</u>	<u>\$ 519,382</u>	<u>\$ 162,564</u>

Year Ending December 31,	OWDA #3312		OWDA #4325		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	57,980	49,065	16,403	16,704	296,837	198,481
2018	61,744	45,301	17,232	15,875	314,816	180,503
2019	65,752	41,293	18,102	15,005	333,885	161,434
2020	70,021	37,124	19,017	14,090	354,114	141,303
2021	74,567	32,478	19,978	13,129	375,573	119,743
2022-2026	452,045	83,177	116,088	49,447	1,543,549	257,479
2027-2031	-	-	131,978	17,004	131,978	17,004
Total	<u>\$ 782,109</u>	<u>\$ 288,438</u>	<u>\$ 338,798</u>	<u>\$ 141,254</u>	<u>\$ 3,350,752</u>	<u>\$ 1,075,947</u>

The long-term debts listed above are construction loans with Ohio Water Development Authority (O.W.D.A.). Loans are collateralized by charges and special assessment monies received.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District contracted with Old Republic Insurance Company for the year ended December 31, 2016. The Plan provides liability, errors and omissions, and surety and bond. Coverage's are as follows:

<u>Coverage Type</u>	<u>Limit</u>	<u>Deductible</u>
<u>Liability Coverages</u>		
Directors and Officers Liability		
Each Occurrence	\$ 1,000,000	\$ 2,500
Aggregate	1,000,000	

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There have been no significant changes from the previous years.

Clinton Water and Sewer District
Knox County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 7 – PENSION

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System have an option to choose Social Security or the Public Employees Retirement System. As of December 31, 2016, all members of the Board have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Since the District has no employees covered by the Public Employees Retirement System, no additional pension disclosures were considered necessary as they would not be material to the accompanying financial statements.

NOTE 8 – CONTINGENT LIABILITIES

The District had no contingent liabilities as of December 31, 2016 and 2015.

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

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

Clinton Township Water and Sewer District
Knox County
350 Johnson Ave
Mt. Vernon, Ohio 45050

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 cash basis financial statements of the business-type activities of the Clinton Township Water and Sewer District, Knox County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 23, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

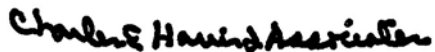
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
July 23, 2017



Dave Yost • Auditor of State

CLINTON TOWNSHIP WATER AND SEWER DISTRICT

KNOX 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 9, 2017