

Oldham Era

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## **Audit of sewer district shows liabilities, misrepresentations from past year**

By Laura Hagan

Sewage treatment is a messy job. Cleaning up the Oldham County Sewer District's finances is just as messy, and a task that took two years to complete.

A recent audit has prepared district officials to move forward with a conservative financial outlook.

Board members asked the auditor to look at issues they could have reported more conservatively in the past – namely, capacity fees.

For example, the district has collected several tap-in fees where developers have paid to connect to the county's system but haven't built yet or haven't tapped on.

The district doesn't currently have the capacity, so if the developers all tapped in, the district wouldn't be able to hold them all.

Auditors also found a liability with the River Bluff subdivision. In 2004, 183 homes in the subdivision had paid tap-in fees for the Ohio River Treatment Plant, though it hadn't been built yet.

According to the audit, the district is now obligated to allow the homes to connect to the plant without the normal capacity fee charges.

Auditor John McIntyre of McIntyre and Wooldridge PSC presented the 2009 fiscal year audit to district board members Aug. 10. Stan Clark, Oldham County's chief financial officer, went back to the beginning of the district, board chair Horace Harrod said.

Clark said as he looked through past years' financial statements, one of the most surprising things he found is 19 parcels of land owned by the district missing from district records.

The records only showed one of the 20 parcels of land the district owns, he said, classified in previous years as equipment, which became a positive to the balance sheet when corrected.

Those prior-period adjustments for the developments are the most significant accounting issue auditors found, McIntyre said.

However, the district has come a long way in the past 20 months, Clark said.

They identified capacity issues, plants are running smoothly, the debt is refinanced and the budget is solid and attainable. Oldham Fiscal Court approved the district's 2011 fiscal year budget June 1. The budget includes a 23.9-percent rate increase.

Rob Nicholas, area vice president of Veolia Water – who handles the district's administrative services – said the increase offsets a decline in revenue during the past year. Veolia Water has managed the district's operations since Nov. 15, 2008. Nicholas attributes the decline to less water usage throughout the county, wet weather and more vacant homes.

Revenue is needed, he said, to replace district losses during the past year and to pay for new debt that will come from decommissioning the Buckner and Green Valley plants.

When Nicholas proposed the increase to fiscal court in June, he said it's "the culmination of two years of the court's work trying to straighten out the sewer district."

The issues aren't just financial, Clark said, after the audit results were presented. There are some liabilities to address.

While sorting out the records, he found losses. When Crestwood terminated their involvement in the joint sewer agency in August 2008, they took back their pre-joint agency assets and debt.

Several issues that took place in 2008 accounted for the various misrepresentations and changes to be made to the audit. Clark said in addition to the dissolution of the joint agency, 2008 is the year the district outsourced operations to Veolia, had violations and fines from the Division of Water and the district terminated several employees.

Going forward, Clark said the district will do more reporting of what's happened, rather than correcting past mistakes.

There are several projects in the horizon to fix problems within the district, he said, and if the district continues what's been done for the past 20 months, customers will likely not see the significant rate increases in the future they've seen in the past few years.

"It sounds like they're going in the right direction," McIntyre said.

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