



Dave Yost • Auditor of State



**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Swan creek Water District  
Fulton County  
5565 County Road D  
Delta, Ohio 43515-9619

To the Board of Trustees:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of Swan creek Water District, Fulton County, Ohio, (the District) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement 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 this financial statement 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 statement is 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 statement 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 opinion.

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

As described in Note 1 of the financial statement, the District prepared this financial statement 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 statement 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 this statement 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 statement referred to above does 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of Swan creek Water District, Fulton County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 30, 2015

**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUNDS**

	2014	2013
<b>Operating Cash Receipts</b>		
Charges for Services	\$265,314	\$249,027
Miscellaneous	3,736	629
	<u>269,050</u>	<u>249,656</u>
<i>Total Operating Cash Receipts</i>		
<b>Operating Cash Disbursements</b>		
Personal Services	42,013	40,988
Employee Fringe Benefits	5,100	11,905
Contractual Services	181,511	127,122
Supplies and Materials	15,622	11,098
Other	158	1,296
	<u>244,404</u>	<u>192,409</u>
<i>Total Operating Cash Disbursements</i>		
<i>Operating Income</i>	<u>24,646</u>	<u>57,247</u>
<b>Non-Operating Receipts (Disbursements)</b>		
Special Assessments	189,568	196,347
Miscellaneous Receipts	1,000	7,456
Earnings on Investments	1,204	570
Principal Retirement	(125,474)	(123,282)
Interest and Other Fiscal Charges	(54,997)	(57,188)
	<u>11,301</u>	<u>23,903</u>
<i>Total Non-Operating Receipts (Disbursements)</i>		
<i>Income before Transfers and Advances</i>	<u>35,947</u>	<u>81,150</u>
Transfers In		100
Transfers Out		(100)
Advances In	50,000	
Advances Out	(50,000)	
	<u>35,947</u>	<u>81,150</u>
<i>Net Change in Fund Cash Balance</i>		
<i>Fund Cash Balance, January 1</i>	<u>696,473</u>	<u>615,323</u>
<i>Fund Cash Balance, December 31</i>	<u>\$732,420</u>	<u>\$696,473</u>

*The notes to the financial statement is an integral part of this statement.*

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**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges for the Swancreek Water District, Fulton County, (the District) as a body corporate and politic. The District is directed by a five-member Board of Trustees. The Board members are appointed by Swancreek Township; the only subdivision covered by the District. The District provides water services to residents of the District.

The District participates in the Ohio Government Risk Management Plan. Note 6 to the financial statement provides additional information for this entity.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

**B. Accounting Basis**

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 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.

**C. 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.

The District values Star Ohio and Star Ohio Plus at cost.

**D. Fund Accounting**

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

**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 goods or services through user charges. The District had the following significant Enterprise Funds:

**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013  
(Continued)**

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Road 2 Loan Repayment Fund - This fund receives assessments made upon residents which are used to repay a loan from Ohio Water Development Authority (OWDA) to expand the District's water system.

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount of deposits and investments at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$103,021	\$68,247
Star Ohio	629,399	628,226
Total deposits and investments	<u>\$732,420</u>	<u>\$696,473</u>

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

**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**Investments:** Star Ohio and Star Ohio Plus are not evidenced by securities which exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$508,317	\$460,822	(\$47,495)

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$441,916	\$424,875	\$17,041

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$446,410	\$454,129	\$7,719

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$385,035	\$372,979	\$12,056

**4. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Waterline Construction	\$101,675	6.39%
Phase V Water Mains	261,163	6.39%
Water System Expansion	89,656	3.85%
Water System Expansion	2,192,241	1.00%
Lee High Dr. Water Main Extension	113,979	1.00%
Swan creek Township	18,685	
Fulton County Commissioners - Road 3 / NEFC	198,400	
Total	\$2,975,799	

The District obtained loans from Ohio Water Development Authority for planning and construction of water lines.

**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013  
(Continued)**

The District obtained start up loans from Swancreek Township in 1997 for the purpose of conducting a feasibility study for the formation of the Water District; legal and engineering expenses; and constructing, maintaining, repairing, and operating a water system. The loan with Fulton County is for the District's repayment for SCWD portion of the Water Project. The loan agreements allow for repayment as it is permissible and practicable.

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

Year ending December 31:	Waterline Construction	Phase V Water Mains	Water System Expansion	Water System Expansion	Lee High Dr. Water Main Extension
2015	\$11,933	\$30,652	\$6,264	\$115,997	\$4,677
2016	11,933	30,652	6,264	115,997	4,677
2017	11,933	30,652	6,264	115,997	4,677
2018	11,933	30,652	6,264	115,997	4,677
2019	11,933	30,652	6,264	115,997	4,677
2020-2024	59,666	153,258	31,321	579,984	23,385
2025-2029	35,799	91,956	31,321	579,984	23,385
2030-2034			31,321	579,984	23,385
2035-2039			15,660	173,707	23,385
2040-2043					16,370
Total	<u>\$155,130</u>	<u>\$398,474</u>	<u>\$140,943</u>	<u>\$2,493,644</u>	<u>\$133,295</u>

Year ending December 31:	Swancreek Township	Fulton County Road 3/NEFC
2015	\$3,600	\$7,348
2016	3,600	7,348
2017	3,600	7,348
2018	3,600	7,348
2019	3,600	7,348
2020-2024	685	36,740
2025-2029		36,740
2030-2034		36,740
2035-2039		36,740
2040-2043		14,700
Total	<u>\$18,685</u>	<u>\$198,400</u>

**5. RETIREMENT SYSTEM**

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. RISK MANAGEMENT**

The District belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio District Risk Management Plan, (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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**7. ADVANCES**

The District advanced \$50,000 from the Water Operating Fund to the Road 3/Peaceful Valley Fund in May 2014. The \$50,000 has not been repaid.

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# Dave Yost • Auditor of State

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

Swan creek Water District  
Fulton County  
5565 County Road D  
Delta, Ohio 43515-9619

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 statement of the Swan creek Water District, Fulton County, Ohio, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement and have issued our report thereon dated September 30, 2015 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 opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 statement. 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statement is 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 30, 2015

**SWANCREEK WATER DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2014-001**

**Material Weaknesses - Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

Due to the lack of final review of the 2013 and 2014 financial statements, we noted that charges for services to be used for capital improvements (\$31,884 in 2014 and \$33,806 in 2013) were reported as capital contributions in the financial statements.

Adjustments were recorded in the accompanying financial statement to correct these errors.

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

**Officials' Response:**

We did not receive a response from Officials to this finding.

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**SWANCREEK WATER DISTRICT**

**FULTON 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 5, 2015**