

Greenfield Township Water & Sewer District

Fairfield County, Ohio

01/01/04 through 12/31/05

Fiscal Year Audited Under GAGAS 2005

BALESTRA, HARR & SCHERER CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Greenfield Township Water and Sewer District
PO Box 172
Carroll, Ohio 43112

We have reviewed the *Independent Auditor's Report* of the Greenfield Township Water and Sewer District, Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2004 through December 31, 2005. 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 Greenfield Township Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 15, 2006

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Greenfield Township Water & Sewer District

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Greenfield Township Water & Sewer District
Po Box 172
Carroll, Ohio 43112-0172

We have audited the accompanying financial statements, of the business-type activities of the Greenfield Township Water and Sewer District (the District), Fairfield County, Ohio, as of and for the years ended December 31, 2004 and December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2004 and December 31, 2005, and the respective changes in financial position and cash flows, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Board
Greenfield Township Water and Sewer District
Independent Auditor's Report
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The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note J, the District implemented Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, and GASB Technical Bulletin No. 2004-002, *Recognition of Pension and Other Post Employment Benefits Expenditure/Expense and Liabilities for Cost Sharing Employers*.



Balestra, Harr & Scherer CPAs, Inc.
August 20, 2006

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

This discussion and analysis, along with the accompanying financial reports, of Greenfield Township Water and Sewer District (GTWSD or "the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The total assets of GTWSD exceeded total liabilities on December 31, 2005 by \$134 thousand and on December 31, 2004 total liabilities exceeded total assets by \$86 thousand. The District's net assets increased by \$220 thousand (255.1%) in 2005 and by \$34 thousand (27.5%) in 2004.

The District's Operating Revenues increased by \$39 thousand (6.8%) in 2005 and by \$8 thousand (1.3%) in 2004. Operating and Maintenance Expenses (excluding depreciation and amortization expenses) increased \$76 thousand (28.9%) in 2005 and decreased \$76 thousand (-22.3%) in 2004. Depreciation and amortization expenses increased \$1 thousand (0.5%) in 2005 and decreased \$3 thousand (-1.8%) in 2004.

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 accrual basis of accounting.

The **Statements of Net Assets** includes all of the District's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net assets are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Assets** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, assessments, and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. They summarize the net changes in cash resulting from operating, investing, capital and non-capital financing activities.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

STATEMENTS OF NET ASSETS

Table 1 summarizes the Statements of Net Assets of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", are Capital Assets less outstanding debt that was used to acquire those assets.

Table 1

	2005	2004	Difference	2003	Difference
Current and Other Assets	\$972,980	\$723,247	\$249,733	\$860,314	(\$137,067)
Capital Assets	3,663,605	3,346,961	316,644	3,337,370	9,591
Total Assets	4,636,585	4,070,208	566,377	4,197,684	(127,476)
Long Term Liabilities	4,350,033	3,992,996	357,037	3,981,758	11,238
Other Liabilities	152,498	163,629	(11,131)	335,046	(171,417)
Total Liabilities	4,502,531	4,156,625	345,906	4,316,804	(160,179)
Net Assets					
Invested in Capital Assets, Net of Related Debt	(783,086)	(736,375)	(46,711)	(778,735)	42,360
Restricted	4,374	4,440	(66)	2,940	1,500
Unrestricted	912,766	645,518	267,248	656,675	(11,157)
Total Net Assets	\$ 134,054	\$ (86,417)	\$220,471	(\$119,120)	\$32,703

The District's Net Assets increased by \$220 thousand (255.1%) in 2005 and by \$34 thousand (27.5%) in 2004. The 2005 increase is primarily due to approximately \$313 thousand in special assessments being received in 2005 and the 2004 increase is a result of excess revenues over expenses.

Restricted net assets decreased by \$66 in 2005 and increased by \$1,500 in 2004. Restricted assets are cash deposits in escrow accounts.

Unrestricted net assets increased by \$267 thousand in 2005 and decreased by \$11 thousand in 2004. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Cash and cash equivalents increased \$214 thousand in 2005 and decreased by \$67 thousand in 2004. The increase in cash and cash equivalents in 2005 is primarily due to the special assessments in 2005 as mentioned above.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

STATEMENTS OF CHANGES IN NET ASSETS

Table 2 below summarizes the changes in Revenues and Expenses and the resulting change in Net Assets.

Table 2

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>2003</u>	<u>Difference</u>
Operating Revenues	\$621,573	\$582,231	\$39,342	\$574,692	\$7,539
Total Operating Revenues	621,573	582,231	39,342	574,692	7,539
Operating Expenses (Excluding Depreciation and Amortization)	340,479	264,171	76,308	340,035	75,864
Depreciation and Amortization Expenses	183,933	183,065	868	186,467	3,402
Total Operating Expenses	524,412	447,236	77,176	526,502	79,266
Operating Income	97,161	134,995	(37,834)	48,190	86,805
Non-Operating Revenues	73,238	171,690	(98,452)	53,581	118,109
Non-Operating Expenses	262,680	273,981	11,301	280,253	6,272
Changes in Net Assets before Capital Contributions	(92,281)	32,704	(124,985)	(178,482)	211,186
Capital Contributions - Special Assessments	312,752	0	312,752	0	0
Changes in Net Assets	220,471	32,704	187,767	(178,482)	211,186
Net Assets at Beginning of Year	(86,416)	(119,120)	32,704	59,362	(178,482)
Net Assets at End of Year	\$134,055	(\$86,416)	\$220,471	(\$119,120)	\$32,704

Operating revenues increased \$39 thousand (6.8%) in 2005 primarily due to additional customers and usage in 2005. Non-operating revenues decreased \$98 thousand (57.3%) in 2005 primarily due to fewer tap/connection fees being received in 2005. Operating expenses increased about \$77 thousand from 2004 to 2005 primarily due to increased repairs and maintenance, accounting and surcharge expenses in 2005.

Operating revenues increased \$8 thousand (1.3%) in 2004 while non-operating revenues increased \$118 thousand (220.4%) in 2004. Increased Revenues in 2004 were primarily the result of additional tap/connection fees being received in 2004. Operating expenses declined about \$79 thousand from 2003 to 2004 primarily due to decreased surcharges in 2004.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

CAPITAL ASSETS

The District had \$5.35 million invested in Capital Assets (before depreciation) at the end of 2005. This amount is an increase of \$500 thousand (10.3%) from the previous year. This increase is due to some ongoing construction projects for both water and sewer. These projects are being funded through loans from the Ohio Water Development Authority.

The District had \$4.85 million invested in Capital Assets (before depreciation) at the end of 2004. This amount is an increase of \$192 thousand (4.1%) from the previous year. This increase is due to some ongoing construction projects for both water and sewer. These projects are being funded through loans from the Ohio Water Development Authority.

Table 3

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>2003</u>	<u>Difference</u>
Land Easements	\$17,230	\$17,230	\$0	\$17,230	\$0
Water Tower	52,100	52,100	0	52,100	0
Building - Water Plant	20,264	20,264	0	20,264	0
Water Line Construction	1,159,441	988,386	171,055	988,386	0
Water Line Construction in Progress	74,040	166,912	(92,872)	11,040	155,872
Sewer Line Construction	3,038,359	2,564,753	473,606	2,564,753	0
Sewer Line Construction in Progress	0	51,770	(51,770)	15,544	36,226
Water Treatment Plant Improvements	657,792	657,792	0	657,792	0
Water Planning	104,789	104,789	0	104,789	0
Sewer Planning	134,373	134,373	0	134,373	0
General Equipment	89,379	89,379	0	89,379	0
Totals Before Accumulated Depreciation	<u>5,347,767</u>	<u>4,847,748</u>	<u>500,019</u>	<u>4,655,650</u>	<u>192,098</u>
Accumulated Depreciation	(1,684,162)	(1,500,787)	(183,375)	(1,318,280)	(182,507)
Net Capital Assets	<u><u>\$3,663,605</u></u>	<u><u>\$3,346,961</u></u>	<u><u>\$316,644</u></u>	<u><u>\$3,337,370</u></u>	<u><u>\$9,591</u></u>

For additional information regarding capital assets, please see Note G to the basic financial statements.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

DEBT

The District issues long term debt to finance much of its construction. Ohio Water Development Authority (OWDA) loans were used to finance most general improvement projects.

Table 4

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>2003</u>	<u>Difference</u>
Water Revenue Bonds	\$ 313,127	\$ 348,288	\$ (35,161)	\$ 380,973	\$ (32,685)
Ohio Water Development Authority (O.W.D.A.)	4,133,563	3,735,048	398,515	3,735,132	(84)
Total Long Term Debt	4,446,690	4,083,336	363,354	4,116,105	(32,769)
Less: Current Maturities	96,657	90,340	6,317	134,347	(44,007)
Net Total Long Term Debt	<u>\$ 4,350,033</u>	<u>\$ 3,992,996</u>	<u>\$ 357,037</u>	<u>\$ 3,981,758</u>	<u>\$ 11,238</u>

For additional information regarding debt, please see Note E to the basic financial statements.

CASH

Cash and cash equivalents were \$247 thousand on December 31, 2005 and \$33 thousand on December 31, 2004. \$4,374 and \$4,440 of these funds were restricted in 2005 and 2004, respectively for specific use. These accounts are for contractor bonds payable.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Greenfield Township Water and Sewer District, P.O. Box 172, Carroll, Ohio 43112-0172 or (740) 654-2500.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF NET ASSETS

As of December 31, 2005 and 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 242,994	\$ 28,605
Intergovernmental receivable	166	174
Accounts receivable	100,620	46,581
TOTAL CURRENT ASSETS	343,780	75,360
NONCURRENT ASSETS		
Restricted Assets:		
Cash in savings - contractor bonds	4,374	4,440
TOTAL RESTRICTED ASSETS	4,374	4,440
Capital Assets:		
Land easements	17,230	17,230
Water tower	52,100	52,100
Building - water plant	20,264	20,264
Water line construction	1,159,441	988,386
Water line construction in progress	74,040	166,912
Sewer line construction	3,038,359	2,564,753
Sewer line construction in progress	-	51,770
Water treatment plant improvements	657,792	657,792
Water planning	104,789	104,789
Sewer planning	134,373	134,373
General equipment	89,379	89,379
	5,347,767	4,847,748
Less: Accumulated depreciation	(1,684,162)	(1,500,787)
Net Capital Assets	3,663,605	3,346,961
Other Assets:		
Prepaid insurance	268	283
Loan fees, net of \$8,045 accumulated amortization (\$6,929 in 2004)	9,547	10,106
Assessment receivables:		
Water	282,424	291,110
Sewer	332,587	341,948
Total Other Assets	624,826	643,447
 TOTAL ASSETS	 \$ 4,636,585	 \$ 4,070,208

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

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF NET ASSETS

As of December 31, 2005 and 2004

	2005	2004
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 17,756	\$ 40,071
Customer deposits	30,956	27,247
Contract bonds payable	4,500	4,500
Retainage payable		-
Due to other governments		-
Notes payable - current portion	58,830	55,179
Water revenue bonds payable - current portion	37,827	35,161
Accrued interest payable	2,629	1,471
TOTAL CURRENT LIABILITIES	152,498	163,629
NONCURRENT LIABILITIES		
Notes payable, net of current portion	4,074,733	3,679,869
Water revenue bonds payable, net of current portion	275,300	313,127
TOTAL NONCURRENT LIABILITIES	4,350,033	3,992,996
TOTAL LIABILITIES	4,502,531	4,156,625
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(783,086)	(736,375)
Restricted	4,374	4,440
Unrestricted	912,766	645,518
TOTAL NET ASSETS	\$ 134,054	\$ (86,417)

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

**GREENFIELD WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Billing revenues	\$ 610,558	\$ 574,547
Late charge revenues	11,015	7,684
TOTAL OPERATING REVENUES	621,573	582,231
OPERATING EXPENSES		
Trustee fees	5,675	5,550
Contract labor	3,900	3,900
Operations and testing	55,145	51,880
Lancaster surcharge	138,025	125,927
Chemical and operating supplies	9,150	9,405
Sludge hauling		
Repairs and maintenance	40,919	9,682
Telephone	4,134	3,902
Utilities	25,939	24,857
Accounting fees	16,310	2,090
Audit fees	5,500	457
Engineering fees	18,650	10,956
Legal fees	5,753	3,753
Billing fees	118	-
Office rent	3,900	3,900
Insurance	6,526	6,754
Advertising and communications	96	206
Office supplies	375	447
Postage	196	337
Licenses	-	76
Bank service fees	168	91
Depreciation	183,375	182,508
Amortization	558	558
Total operating expenses	524,412	447,236
Operating income	97,161	134,995
NONOPERATING REVENUES (EXPENSES)		
Inspection fees (net of costs)	1,850	900
Tap fees and connection fees revenue	27,099	125,763
Interest income	42,055	44,425
Intergovernmental	339	354
Meter fees	450	-
Cost of meters	(5,050)	(5,616)
Interest expense	(257,630)	(268,365)
Miscellaneous income	1,445	248
Net nonoperating revenues (expenses)	(189,442)	(102,291)
Changes in net assets before capital contributions	(92,281)	32,704
Capital contributions - grants		
Capital contributions - special assessments	312,752	-
CHANGES IN NET ASSETS	220,471	32,704
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	(86,416)	(119,120)
NET ASSETS, END OF YEAR	\$ 134,055	\$ (86,416)

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

**GREENFIELD WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 567,534	\$ 634,479
Cash payments to suppliers for goods and services	(362,777)	(276,253)
Net cash provided by operating activities	204,757	358,226
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in customer deposits	3,709	4,420
Increase (decrease) in contractor bonds	(66)	4,440
Miscellaneous income	1,445	245
Net cash provided by non-capital financing activities	5,088	9,105
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from OWDA loans	511,913	157,894
Tap fees	27,099	125,763
Inspection fee	1,850	900
Meter fees net of cost	(4,600)	(5,617)
OWDA principal payments	(113,398)	(157,810)
OWDA interest payments	(231,863)	(360,142)
Proceeds from sale of short term note	-	80,000
Fairfield National short term note principal payment	-	(80,000)
Fairfield National short term note interest payment	-	(2,450)
Fairfield National Revenue Bond principal payment	(35,161)	(32,685)
Fairfield National Revenue Bond interest payment	(24,347)	(26,823)
Special assessments - capital contributions	312,752	-
Special assessment collections - County Auditor	18,047	18,485
Special assessment interest income	41,426	44,295
Capital outlay	(499,437)	(192,267)
Net cash used by capital and related financing activities	4,281	(430,457)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	197	130
 Net increase (decrease) in cash and cash equivalents	 214,323	 (62,996)
 Cash and cash equivalents, beginning of year	 33,045	 96,041
 Cash and cash equivalents, end of year	 \$ 247,368	 \$ 33,045

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

**GREENFIELD WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF CASH FLOWS - Continued

For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING LOSS TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 97,164	\$ 134,998
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	183,933	183,065
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(54,039)	52,248
(Increase)/Decrease in prepaids	15	14
Increase/(Decrease) in accounts payable	<u>(22,316)</u>	<u>(12,099)</u>
Total adjustments	<u>107,593</u>	<u>223,228</u>
Net cash provided by operating activities	<u>\$ 204,757</u>	<u>\$ 358,226</u>

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

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A – NATURE OF ORGANIZATION

Greenfield Township Water and Sewer District (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 established to provide water and sewer services to the residents of Greenfield Township. The District is directed by an appointed five-member Board of Trustees. The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District required no change from prior years. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

1. **Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity*. The financial statements include the fund for which the District is "accountable." Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the district and whether exclusion would cause the District's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the financial statements in accordance with GASB Statement No. 14.

2. **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 is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

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 goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Water and Sewer Fund – This fund receives charges for services from residents to cover the cost of providing these utilities, and loan and grant proceeds to improve the District's systems.

3. Basis of Accounting

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

4. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget and adopted and passed annual appropriations and resolutions for the years ended December 31, 2005 and 2004.

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. 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.

Encumbrances - The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District had no outstanding encumbrances at December 31, 2005 and 2004.

- 5. Measurement Focus** – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

6. Revenue Recognition

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

7. Accounts Receivable

Accounts receivable are presented at their net realizable value. Fairfield County Utilities managed all accounts receivable, including the enforcement of a shut-off policy. Uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted.

8. Restricted Assets

As explained in the Escrow Savings note, a restricted savings account was established for contractor retainage.

Receivables from assessments are considered to be restricted assets because their proceeds are restricted to future debt retirement of the associated projects.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

9. Capital Assets

Capital assets are presented at cost and are depreciated over the estimated useful lives of the assets from 5 to 25 years, depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system are capitalized and included in capital assets. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest over the life of the construction loan, which is determined to be the estimated useful life of the assets.

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

10. Amortization

Loan costs are being amortized over the life of each loan beginning on the first date of each loan. Amortization is computed using the straight-line method for financial statement reporting purposes. Loan cost amortization expense charged to operations for the years ended December 31, 2005 and 2004 was \$559 and \$558 respectively.

11. Income Tax

The District operates as a public water/sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

12. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

13. Interest Expense

Interest expense represents the interest portion of construction loan payments to the Ohio Water Development Authority, as well as amounts paid and accrued for the note obtained through Fairfield National Bank of Lancaster, Ohio.

14. Interest Income

Interest income represents earnings from the checking account, savings account, and assessment receivables.

15. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

16. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The District has recorded restricted net assets for contractor bonds held.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE C – ESCROW SAVINGS

A separate escrow savings account was established to maintain the contractor retainage balance due on the construction of the sewage lines. Interest earned is due and payable to the contractor upon project completion, pending approval by the Board. The escrow account was closed out during 2003. A separate savings account has been set up for contractor bonds.

NOTE D – ACCOUNTS AND ASSESSMENTS RECEIVABLE

Following are accounts receivable balances presented by aging classifications as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Current receivables (0-30 days)	\$ 94,896	\$ 40,361
Delinquent receivables (over 30 days)	<u>5,724</u>	<u>6,220</u>
Total accounts receivables	<u>\$ 100,620</u>	<u>\$ 46,581</u>

Assessment receivables represent the remaining balance of construction assessments less prepayments and principal payments from the County Auditor. Once a project is complete, the related assessments are calculated. Prepayments are permitted for a specified period, and remaining unpaid balances are certified to the county auditor for semi-annual collection over 25 years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA loan. The District had amounts receivable for assessments of water and sewer line construction costs to local service users in the amounts of \$282,424 and \$332,587 respectively, as of December 31, 2005 (\$291,110 and \$341,948, respectively as of December 31, 2004). These amounts will be paid over the life of the related debt including interest at a rate of 6.72%.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE E – CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS

Accrued interest, current and long-term debts at December 31, 2005 and 2004 are as follows:

	<u>Interest Rate</u>	<u>First Payment</u>	<u>Contract Term</u>		<u>12/31/05</u>	<u>12/31/04</u>
<u>Notes payable to OWDA:</u>						
Construction loan 1606	7.24%	1/1/1994	25 yrs.	\$	67,322	\$ 70,581
Construction loan 1607	7.24%	1/1/1994	25 yrs.		67,322	70,581
Construction loan 2938	6.58%	7/1/1996	25 yrs.		164,912	171,271
Construction loan 2966	6.72%	1/1/1997	25 yrs.		808,750	838,035
Construction loan 2967	6.72%	1/1/1997	25 yrs.		1,200,582	1,244,056
Construction loan 2968	6.32%	1/1/1998	24 yrs.		59,692	61,931
Construction loan 3193	6.13%	1/1/2002	25 yrs.		1,066,280	1,091,803
Construction loan 3887	5.28%	7/1/2008	5 yrs.		62,959	7,626
Construction loan 3902	5.28%	7/1/2008	5 yrs.		-	-
Construction loan 3903	5.28%	7/1/2008	5 yrs.		-	-
Construction loan 4114	3.98%	7/1/2006	25 yrs.		169,003	141,999
Construction loan 4115	3.98%	7/1/2006	25 yrs.		466,741	37,165
Construction loan 4472	4.49%	7/1/2007	30 yrs.		-	-
					<u>4,133,563</u>	<u>3,735,048</u>
<u>Other loans</u>						
Fairfield National Bank	7.325%	9/12/2002	5 yrs.		313,127	348,288
Total debt					<u>\$ 4,446,690</u>	<u>\$ 4,083,336</u>

Long-term debt additions and reductions for the years ending December 31, 2005 and 2004 are as follows:

	<u>Balance 12/31/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2004</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 3,735,132	\$ 210,063	\$ 210,147	\$ 3,735,048	\$ 55,179
Fairfield National Bank	380,973	-	32,685	348,288	35,161
	<u>\$ 4,116,105</u>	<u>\$ 210,063</u>	<u>\$ 242,832</u>	<u>\$ 4,083,336</u>	<u>\$ 90,340</u>

	<u>Balance 12/31/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2005</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 3,735,048	\$ 511,913	\$ 113,398	\$ 4,133,563	\$ 58,830
Fairfield National Bank	348,288	-	35,161	313,127	37,827
	<u>\$ 4,083,336</u>	<u>\$ 511,913</u>	<u>\$ 148,559</u>	<u>\$ 4,446,690</u>	<u>\$ 96,657</u>

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

**NOTE E – CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS -
Continued**

The current and long-term construction loans listed are with Ohio Water Development Authority (OWDA). As construction begins on any project, specified amounts from approved OWDA construction loans are used to repay OWDA planning loans. It is the intent of the District to expand the water and sewer services within the District.

Future principal and interest payments on all loans are as follows:

Year Ending December 30,	OWDA Loans			Fairfield National Bank Loan		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 58,830	\$ 113,802	\$ 172,632	\$ 37,827	\$ 21,681	\$ 59,508
2007	124,806	220,457	345,263	275,300	12,857	288,157
2008	133,073	212,191	345,264	-	-	-
2009	141,887	203,376	345,263	-	-	-
2010	151,287	193,977	345,264	-	-	-
2011-2015	920,763	805,556	1,726,319	-	-	-
2016-2020	1,234,456	458,386	1,692,842	-	-	-
2021-2025	581,818	106,156	687,974	-	-	-
2026-2030	87,940	4,126	92,066	-	-	-
Total	<u>\$ 3,434,860</u>	<u>\$ 2,318,027</u>	<u>\$ 5,752,887</u>	<u>\$ 313,127</u>	<u>\$ 34,538</u>	<u>\$ 347,665</u>

Year Ending December 30,	Total Debt		
	Principal	Interest	Total
2006	\$ 96,657	\$ 135,483	\$ 232,140
2007	400,106	233,314	633,420
2008	133,073	212,191	345,264
2009	141,887	203,376	345,263
2010	151,287	193,977	345,264
2011-2015	920,763	805,556	1,726,319
2016-2020	1,234,456	458,386	1,692,842
2021-2025	581,818	106,156	687,974
2026-2030	87,940	4,126	92,066
Total	<u>\$ 3,747,987</u>	<u>\$ 2,352,565</u>	<u>\$ 6,100,552</u>

Project loan agreements 3887, 3902, 3903, 4114, 4115 and 4472 have not been finalized with the OWDA; therefore, no amortization schedules have been created. As a result these loans are not shown on the above maturity schedule.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE F – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS

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 Board of Trustees has identified as not required for use within the current two-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 represent interim 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies can 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;
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;
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.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE F – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS - Continued

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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. An investment 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.

The following information classifies deposits and investments by categories of risk as defined in Governmental Accounting Standards Board (GASB) Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

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. At both fiscal year ends, the carrying amount of deposits was \$247,368 and \$33,045 as of December 31, 2005 and 2004, respectively. The bank balances as of December 31, 2005 and 2004 were \$440,214 and \$214,273, respectively and \$100,000 of the bank balances for 2005 and 2004 was covered by federal depository insurance. The remaining balances for 2005 and 2004 were collateralized by third party trustees in single institution collateral pools, securing all public funds on deposit with specific depository institutions. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements were potentially subject the District to a successful claim by the FDIC.

Investments – The District did not have any investments during fiscal years 2005 and 2004.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE G – CAPITAL ASSETS

Capital assets activity for the fiscal year ended December 31, 2005 was as follows:

	Ending Balance 12/31/04	Additions	Deletions	Ending Balance 12/31/05
Capital Assets, Not Being Depreciated				
Land Easements	\$17,230	\$0	\$0	\$17,230
Water Line Construction in Progress	166,912	78,183	(171,055)	74,040
Sewer Line Construction in Progress	51,770	421,836	(473,606)	0
Total Capital Assets, Not Being Depreciated	<u>235,912</u>	<u>500,019</u>	<u>(644,661)</u>	<u>91,270</u>
Capital Assets Being Depreciated				
Water Tower	52,100	0	0	52,100
Building - Water Plant	20,264	0	0	20,264
Water Line Construction	988,386	171,055	0	1,159,441
Sewer Line Construction	2,564,753	473,606	0	3,038,359
Water Treatment Plant Improvements	657,792	0	0	657,792
Water Planning	104,789	0	0	104,789
Sewer Planning	134,373	0	0	134,373
General Equipment	89,379	0	0	89,379
Total Capital Assets, Being Depreciated	<u>4,611,836</u>	<u>644,661</u>	<u>0</u>	<u>5,256,497</u>
Less Accumulated Depreciation:				
Water Tower	(24,430)	(1,972)	0	(26,402)
Building - Water Plant	(9,557)	(762)	0	(10,319)
Water Line Construction	(330,126)	(41,121)	0	(371,247)
Sewer Line Construction	(721,669)	(107,326)	0	(828,995)
Water Treatment Plant Improvements	(281,151)	(26,950)	0	(308,101)
Water Planning	(21,753)	(2,547)	0	(24,300)
Sewer Planning	(22,814)	(2,697)	0	(25,511)
General Equipment	(89,287)	0	0	(89,287)
Total Accumulated Depreciation	<u>(1,500,787)</u>	<u>(183,375)</u>	<u>0</u>	<u>(1,684,162)</u>
Total Capital Assets Being Depreciated, Net	<u>3,111,049</u>	<u>461,286</u>	<u>0</u>	<u>3,572,335</u>
Total Capital Assets, Net	<u>\$3,346,961</u>	<u>\$961,305</u>	<u>(\$644,661)</u>	<u>\$3,663,605</u>

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE G – CAPITAL ASSETS – Continued

Capital assets activity for the fiscal year ended December 31, 2004 was as follows:

	Ending Balance 12/31/03	Additions	Deletions	Ending Balance 12/31/04
Capital Assets, Not Being Depreciated				
Land Easements	\$17,230	\$0	\$0	\$17,230
Water Line Construction in Progress	11,040	155,872	0	166,912
Sewer Line Construction in Progress	15,544	36,226	0	51,770
Total Capital Assets, Not Being Depreciated	<u>43,814</u>	<u>192,098</u>	<u>0</u>	<u>235,912</u>
Capital Assets Being Depreciated				
Water Tower	52,100	0	0	52,100
Building - Water Plant	20,264	0	0	20,264
Water Line Construction	988,386	0	0	988,386
Sewer Line Construction	2,564,753	0	0	2,564,753
Water Treatment Plant Improvements	657,792	0	0	657,792
Water Planning	104,789	0	0	104,789
Sewer Planning	134,373	0	0	134,373
General Equipment	89,379	0	0	89,379
Total Capital Assets, Being Depreciated	<u>4,611,836</u>	<u>0</u>	<u>0</u>	<u>4,611,836</u>
Less Accumulated Depreciation:				
Water Tower	(22,459)	(1,972)	0	(24,430)
Building - Water Plant	(8,795)	(762)	0	(9,557)
Water Line Construction	(290,715)	(39,411)	0	(330,126)
Sewer Line Construction	(619,079)	(102,590)	0	(721,669)
Water Treatment Plant Improvements	(254,201)	(26,950)	0	(281,151)
Water Planning	(19,227)	(2,526)	0	(21,753)
Sewer Planning	(20,117)	(2,697)	0	(22,814)
General Equipment	(83,687)	(5,600)	0	(89,287)
Total Accumulated Depreciation	<u>(1,318,280)</u>	<u>(182,508)</u>	<u>0</u>	<u>(1,500,787)</u>
Total Capital Assets Being Depreciated, Net	<u>3,293,556</u>	<u>(182,508)</u>	<u>0</u>	<u>3,111,049</u>
Total Capital Assets, Net	<u>\$3,337,370</u>	<u>\$9,590</u>	<u>\$0</u>	<u>\$3,346,961</u>

NOTE H – RISK MANAGEMENT

The Sewer District contracted with Rinehart-Walters-Danner Insurance for commercial general liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$3,000,000 for an aggregate total.

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage by class from the prior year.

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS – Continued

December 31, 2005 and 2004

NOTE I – PENDING LITIGATION

The District's general legal counsel is the O'Keefe Law Office, Columbus, Ohio.

During the period from January 1 to December 31, 2005 and 2004, there were no contingent liabilities or pending litigation for the District that management believes is material to the financial statements.

NOTE J – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB No. 40, *Deposit and Investment Risk Disclosure*, and GASB Technical Bulletin No. 2004-002, *Recognition of Pension and Other Post Employment Benefits Expenditure/Expense and Liabilities for Cost Sharing Employees*, were adopted by the District effective January 1, 2004. GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows all prepared on the accrual basis of accounting.

NOTE K – NOTES PAYABLE

The District issued a revenue anticipation note in the amount of \$80,000 on January 2, 2004. This note carried an interest rate of 4.375% and was repaid from revenues generated by the District on September 9, 2004. The principal balance paid was \$80,000 and interest paid on the note was \$2,450.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Board
Greenfield Township Water & Sewer District
Po Box 172
Carroll, Ohio 43112-0172

We have audited the financial statements of the business-type activities, of Greenfield Township Water & Sewer District (the District), as of and for the years ended December 31, 2004 and December 31, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 20, 2006, in which we indicated the District adopted GASB Statement No. 34, GASB Statement No. 37, GASB Statement No. 38, GASB Statement No. 40 and GASB Technical Bulletin 2004-002. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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 determination of financial statement amounts. 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*.

Members of the Board
Greenfield Township Water & Sewer District

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Page 2

This report is intended solely for the information and use of management and members of the Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer CPAs, Inc.
August 20, 2006



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

FAIRFIELD 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
DECEMBER 28, 2006**