



**SWANCREEK WATER DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 30, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Swanecreek Water District, Fulton County, (the District) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. The District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply

the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2008 and 2007, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and reserves for encumbrances of Swan creek Water District, Fulton County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 30, 2009

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating Cash Receipts:		
Charges for Services	\$187,399	\$165,890
Miscellaneous	4,919	15
	<hr/>	<hr/>
Total Operating Cash Receipts	192,318	165,905
	<hr/>	<hr/>
Operating Cash Disbursements:		
Personal Services	33,150	27,539
Employee Fringe Benefits	7,777	6,289
Contractual Services	92,373	79,836
Supplies and Materials	33,182	17,314
Other	300	342
	<hr/>	<hr/>
Total Operating Cash Disbursements	166,782	131,320
	<hr/>	<hr/>
Operating Income	25,536	34,585
	<hr/>	<hr/>
Non-Operating Cash Receipts:		
Special Assessments	183,638	272,845
Intergovernmental Revenues		2,148
Earnings on Investments	7,125	10,847
	<hr/>	<hr/>
Total Non-Operating Cash Receipts	190,763	285,840
	<hr/>	<hr/>
Non-Operating Cash Disbursements:		
Debt Service	168,445	250,895
	<hr/>	<hr/>
Excess of Receipts Over Disbursements Before Interfund Advances	47,854	69,530
	<hr/>	<hr/>
Advances-In		47,628
Advances-Out		(47,628)
	<hr/>	<hr/>
Net Receipts Over Disbursements	47,854	69,530
	<hr/>	<hr/>
Cash Balances, January 1	237,614	168,084
	<hr/>	<hr/>
Cash Balances, December 31	\$285,468	\$237,614
	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$112	\$85
	<hr/> <hr/>	<hr/> <hr/>

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

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**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 statements provides additional information for this entity.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

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 investment of STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Funds:

Water Operating – This fund receives charges for services for water services and pays for general operating expenses.

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Road 2 Construction Loan 3961 – This fund received loan proceeds limited to \$3,000,000 from the Ohio Water Development Authority in September 2003 to fund the Road 2 waterline construction project. This loan will be repaid from Special Assessments accounted for in a Road 2 Waterline Construction Water Assessment Fund.

E. 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). The Board must annually approve appropriation measures and subsequent amendments. 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 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District maintains a cash and investments pool all funds use. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$19,568	\$15,472
STAR Ohio	265,900	222,142
Total deposits and investments	<u>\$285,468</u>	<u>\$237,614</u>

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$362,560	\$383,081	\$20,521

2008 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$347,347	\$335,339	\$12,008

2007 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$448,973	\$451,745	\$2,772

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$419,012	\$382,300	\$36,712

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Swanecreek Township Loan	\$40,285	0.00%
OWDA Loan 3310	128,418	6.39%
OWDA Loan 3342	329,856	6.39%
OWDA Loan 3960	104,595	3.85%
OWDA Loan 3961	2,738,763	1.00%
Total	<u><u>\$3,341,917</u></u>	

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

The District obtained start up loans from Swanecreek 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 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:	<u>OWDA Loan 3310</u>	<u>OWDA Loan 3342</u>	<u>OWDA Loan 3960</u>	<u>OWDA Loan 3961</u>
2009	\$11,933	\$30,652	\$6,264	\$115,997
2010	11,933	30,652	6,264	115,997
2011	11,933	30,652	6,264	115,997
2012	11,933	30,652	6,264	115,997
2013	11,933	30,652	6,264	115,997
2014-2018	59,666	153,258	31,321	579,984
2019-2023	59,666	153,258	31,321	579,984
2024-2028	41,766	107,280	31,321	579,984
2029-2033			31,321	579,984
2034-2035			12,528	463,987
Total	<u><u>\$220,763</u></u>	<u><u>\$567,056</u></u>	<u><u>\$169,132</u></u>	<u><u>\$3,363,908</u></u>

5. RETIREMENT SYSTEM

The District's 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.

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. RETIREMENT SYSTEM (CONTINUED)

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the District contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

The District belongs to the Ohio Government 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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The District participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The District does not participate in this coverage.

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 retained earnings at December 31: 2008 and 2007

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT (CONTINUED)

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

7. RELATED PARTY TRANSACTIONS

The Board of Trustees of Swancreek Water District is appointed by the Swancreek Township (the Township) Board of Trustees.

During 1997, the Township loaned the District \$51,085 for the purpose of conducting a feasibility study for the construction, maintenance, repair, and operation of a water system. As of December 31, 2008, the District owes the Township \$40,285.

The Township currently does not charge the District rent for use of the Township building offices.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the Swanecreek Water District, Fulton County, (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 30, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 30, 2009



Mary Taylor, CPA
Auditor of State

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 17, 2009**