



**SWANCREEK WATER DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Swan Creek 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 a February 2, 2005, 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 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 4, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Swan Creek 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 Swan Creek Water District, Fulton County, (the District) as of and for the years ended December 31, 2006 and 2005. 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.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of Swan creek Water District, Fulton County, as of December 31, 2006 and 2005, 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 4, 2007, 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 4, 2007

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating Cash Receipts:		
Charges for Services	\$162,334	\$140,774
Miscellaneous	121	390
	<hr/>	<hr/>
Total Operating Cash Receipts	162,455	141,164
	<hr/>	<hr/>
Operating Cash Disbursements:		
Personal Services	30,803	26,169
Utilities	33,277	28,766
Repairs and Maintenance	2,305	2,195
Other Contractual Services	53,188	77,686
Chemicals and Operating Supplies	9,340	14,695
Office Supplies and Materials	1,986	5,023
Insurance	4,048	4,121
Capital Outlay		168,689
	<hr/>	<hr/>
Total Operating Cash Disbursements	134,947	327,344
	<hr/>	<hr/>
Operating Income/(Loss)	27,508	(186,180)
	<hr/>	<hr/>
Non-Operating Cash Receipts:		
Special Assessments	273,907	339,458
Intergovernmental Revenues	75,735	
Proceeds from Sale of Public Debt:		
Other Proceeds from Sale of Public Debt	32,962	84,116
Miscellaneous	7,267	4,163
	<hr/>	<hr/>
Total Non-Operating Cash Receipts	389,871	427,737
	<hr/>	<hr/>
Non-Operating Cash Disbursements:		
Debt Service	539,929	194,238
Other Non-Operating Cash Disbursements	3,226	12,082
	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	543,155	206,320
	<hr/>	<hr/>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(125,776)	35,237
	<hr/>	<hr/>
Transfers-In	34,568	61,742
Transfers-Out	(34,568)	(61,742)
	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	(125,776)	35,237
	<hr/>	<hr/>
Cash Balances, January 1	293,860	258,623
	<hr/>	<hr/>
Cash Balances, December 31	\$168,084	\$293,860
	<hr/> <hr/>	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$11,580	\$2,515
	<hr/> <hr/>	<hr/> <hr/>

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

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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 accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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.

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

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Road 2 Construction Loan 3960 – This fund received loan proceeds from the Ohio Water Development Authority to fund the remaining of the Rd 2 waterline construction project. This loan will be repaid from Special Assessments accounted for in a Rd 2 Waterline Construction Water Assessment Fund.

E. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or 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 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$18,022	\$254,231
STAR Ohio	150,062	39,629
Total deposits and investments	\$168,084	\$293,860

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and collateralized by securities specifically pledged by the financial institution to the District;

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, 2006 and 2005 follows:

Budgeted vs. Actual Receipts		
Fund Type	2006	2005
Budgeted Receipts	\$564,811	\$611,564
Actual Receipts	586,894	630,643
Variance	\$22,083	\$19,079

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2006	2005
Appropriation Authority	\$736,105	\$863,296
Budgetary Expenditures	724,250	597,921
Variance	\$11,855	\$265,375

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Swan creek Township Loan	\$37,485	0.00%
Swan creek Township Loan	10,000	0.00%
OWDA Loan 3310	135,313	6.39%
OWDA Loan 3342	347,566	6.39%
OWDA Loan 3633	80,486	5.65%
OWDA Loan 3960	108,862	3.85%
OWDA Loan 3961	2,913,788	1.00%
Water and Sewer Commission	32,962	0.00%
Total	\$3,666,463	

The District obtained loans from Ohio Water Development Authority for planning and construction of water lines. OWDA loan 3633 is a planning loan that will be paid off in 2007. Amortization schedules are not prepared for the planning loans.

The District obtained start up loans from Swan creek 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.

The District obtained a loan from the Water and Sewer Commission to pay for the special assessments of certain owners fo undeveloped property located within agricultural districts situated in the District that are exempted under the terms of Ohio Revised Code Section 929.03 to be repaid when the use of the parcel has changed.

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

Year ending December 31:	OWDA Loan 3310	OWDA Loan 3342	OWDA Loan 3960	OWDA Loan 3961
2007	\$11,933	\$30,652	\$6,264	\$115,997
2008	\$11,933	\$30,652	\$6,264	\$115,997
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
2012-2016	\$59,666	\$153,258	\$31,321	\$579,984
2017-2021	\$59,666	\$153,258	\$31,321	\$579,984
2022-2026	\$59,666	\$153,258	\$31,321	\$579,984
2027-2031	\$5,967	\$15,326	\$31,321	\$579,984
2032-2035			\$25,056	\$463,987
Total	\$244,629	\$628,356	\$181,658	\$3,363,907

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0 and 8.5 percent, respectively, of their gross salaries. The District contributed an amount equal to 13.7 and 13.55 percent, respectively, of participants' gross salaries through. The District has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT – (Continued)

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 (the 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, 2006, the District owes the Township \$47,485.

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

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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, 2006 and 2005, and have issued our report thereon dated September 4, 2007, 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 that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*. 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 did note a certain noncompliance matter that we reported to the District's management in a separate letter dated September 4, 2007.

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



Mary Taylor, CPA
Auditor of State

September 4, 2007

**SWANCREEK WATER DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	5704.41(D)(1) lack of certification	Yes	Finding No Longer Valid
2004-002	5705.28(B)(2)(c) 3 funds appropriations exceeded total est. res.	No	Partially Corrected, Cited in Management Letter



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
OCTOBER 4, 2007**