

Greenfield Water and Sewer District

Fairfield County, Ohio

Regular Audit

January 1, 2006 through December 31, 2007

Fiscal Years Audited Under GAGAS: 2007 and 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA
Auditor of State

Board of Directors
Greenfield Water and Sewer District
P. O. Box 172
Carroll, Ohio 43112

We have reviewed the *Independent Auditor's Report* of the Greenfield Water and Sewer District, Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Water and Sewer District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 29, 2008

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Greenfield Water and Sewer District
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Board of Directors
Greenfield Water and Sewer District
P.O. Box 172
Carroll, Ohio 43112

Independent Auditor's Report

We have audited the accompanying financial statements of the business-type activities of the Greenfield Water and Sewer District, Fairfield County, Ohio, (the District), as of the years ended December 31, 2007 and 2006, 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 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 *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 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 financial position of the business-type activities of the District, as of December 31, 2007 and 2006, and the changes in financial position and cash flows thereof for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis information on pages 3 through 7 are not required parts of the basic financial statements but are 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.

Board of Directors
Greenfield Water and Sewer District
Independent Auditors Report

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, 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 and 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.

As described in Note J to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statements No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*.



Balestra, Harr & Scherer, CPAs, Inc.
July 31, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)**

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, 2007 by \$401,617 and on December 31, 2006 by \$667,910. The District's net assets decreased by \$266,293 (39.9%) in 2007 and increased by \$533,910 (398.4%) in 2006.

The District's Operating Revenues increased by \$110,354 (17.2%) in 2007 and by nearly \$19 thousand (4.8%) in 2006. Operating and Maintenance Expenses (excluding depreciation and amortization expenses) increased \$178,791 (48.7%) in 2007 and \$26,404 (7.8%) in 2006. Depreciation and amortization expenses increased \$32,134 (17.6%) in 2007 and decreased \$849 (0.5%) in 2006.

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 YEARS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)**

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

	<u>2007</u>	<u>2006</u>	<u>Difference</u>	<u>2005</u>	<u>Difference</u>
Current and Other Assets	\$846,495	\$1,130,753	(\$284,258)	\$972,980	\$157,773
Capital Assets	4,355,196	4,235,439	119,757	3,663,605	571,834
Total Assets	5,201,691	5,366,192	(164,501)	4,636,585	729,607
Long Term Liabilities	4,597,202	4,374,503	222,699	4,350,033	24,470
Current and Other Liabilities	202,872	323,779	(120,907)	152,498	171,281
Total Liabilities	4,800,074	4,698,282	101,792	4,502,531	195,751
Net Assets					
Invested in Capital Assets, Net of Related Debt	(358,645)	(246,146)	(112,499)	(783,085)	536,939
Restricted	8,349	8,349	0	4,374	3,975
Unrestricted	751,913	905,707	(153,794)	912,765	(7,058)
Total Net Assets	\$401,617	\$667,910	(\$266,293)	\$134,054	\$533,856

The District's Net Assets decreased by \$266,293 (39.9%) in 2007 and increased by \$533,856 (398.2%) in 2006. The 2007 decrease is primarily due to a decrease in tap fees and connections fees revenue, and an increase in operating expense for Lancaster surcharge. The 2006 increase is primarily due to an increase in tap fees and connection fees revenue which was partially offset by an increase in operating expenses for the Lancaster surcharge.

Restricted net assets did not change in 2007 and increased \$3,975 in 2006. Restricted assets are cash deposits in escrow accounts.

Unrestricted net assets decreased by \$153,794 in 2007 and by \$7,058 in 2006. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Unrestricted cash and cash equivalents decreased \$248,936 in 2007 and increased \$189,136 thousand in 2006. The decrease in cash and cash equivalents in 2007 is primarily due to the decrease in tap fees and connections fees revenue and in 2006 is primarily due to the increase in tap fees and connection fees revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)**

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>2007</u>	<u>2006</u>	<u>Difference</u>	<u>2005</u>	<u>Difference</u>
Operating Revenues	\$750,774	\$640,420	\$110,354	\$621,573	\$18,847
Total Operating Revenues	750,774	640,420	110,354	621,573	18,847
Operating Expenses (Excluding Depreciation and Amortization)	545,675	366,884	178,791	340,480	26,404
Depreciation and Amortization Expenses	215,218	183,084	32,134	183,933	(849)
Total Operating Expenses	760,893	549,968	210,925	524,413	25,555
Operating Income	(10,119)	90,452	(100,571)	97,160	(6,708)
Non-Operating Revenues	51,789	388,980	(337,191)	73,238	315,742
Non-Operating Expenses	307,963	343,111	(35,148)	262,680	80,431
Changes in Net Assets before Capital Contributions	(266,293)	136,321	(402,614)	(92,282)	228,603
Capital Contributions - Intergovernmental and Special Assesments	0	397,535	(397,535)	312,752	84,783
Changes in Net Assets	(266,293)	533,856	(800,149)	220,470	313,386
Net Assets at Beginning of Year	667,910	134,054	533,856	(86,416)	220,470
Net Assets at End of Year	\$401,617	\$667,910	(\$266,293)	\$134,054	\$533,856

Operating revenues increased \$110,354 (17.2%) in 2007 primarily due to an increase in billing revenues. Non-operating revenues decreased \$337,191 thousand (86.7%) in 2007 primarily due to a decrease in tap fees and connection fees revenue. Operating expenses increased \$210,925 from 2006 to 2007 due to several factors including additional costs for the Lancaster surcharge, additional repairs and maintenance expenses, additional engineering fees and depreciation expense. Capital contributions decreased from 2007 to 2006 as there were no intergovernmental grants for construction in 2007.

Operating revenues increased \$18,847 (3.0%) in 2006 primarily due to additional customers and usage in 2006. Non-operating revenues increased \$315,742 (431.1%) in 2006 primarily due to higher tap/connection fees being received in 2006. Operating expenses increased \$25,555 from 2005 to 2006 due to several factors including increased service charge expenses from the City of Lancaster due to additional revenues in 2006 and additional engineering services due to growth of the District which were partially offset by a reduction in accounting expense. Non-operating expenses increased \$80,431 due to increases in interest expense from OWDA loans and tap fee expenses related to new tap/connection fees in 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)**

CAPITAL ASSETS

The District had \$6.44 million invested in Capital Assets (before depreciation) at the end of 2007. This amount is an increase of \$334 thousand (5.5%) from the previous year. This increase is primarily due to the completion of several water projects as mentioned below.

The District had \$6.10 million invested in Capital Assets (before depreciation) at the end of 2006. This amount is an increase of approximately \$754 thousand (14.1%) from the previous year. This increase is primarily due to ongoing construction projects including improvements to the water treatment plant and water lines. These projects are being funded through loans from the Ohio Water Development Authority and Ohio Public Works Commission and a grant from the Ohio Public Works Commission.

Table 3

	<u>2007</u>	<u>2006</u>	<u>Difference</u>	<u>2005</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	1,233,481	1,159,441	74,040	1,159,441	0
Water Line Construction in Progress	0	818,026	(818,026)	74,040	743,986
Sewer Line Construction	3,046,839	3,046,839	0	3,038,359	8,480
Water Treatment Plant Improvements	1,736,195	657,792	1,078,403	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	91,273	91,273	0	89,379	1,894
Totals Before Accumulated Depreciation	<u>6,436,544</u>	<u>6,102,127</u>	<u>334,417</u>	<u>5,347,767</u>	<u>754,360</u>
Accumulated Depreciation	<u>(2,081,348)</u>	<u>(1,866,688)</u>	<u>(214,660)</u>	<u>(1,684,162)</u>	<u>(182,526)</u>
Net Capital Assets	<u><u>\$4,355,196</u></u>	<u><u>\$4,235,439</u></u>	<u><u>\$119,757</u></u>	<u><u>\$3,663,605</u></u>	<u><u>\$571,834</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 YEARS ENDED DECEMBER 31, 2007 AND 2006
(Unaudited)**

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>2007</u>	<u>2006</u>	<u>Difference</u>	<u>2005</u>	<u>Difference</u>
Water Revenue Bonds	\$ 237,789	\$ 275,303	\$ (37,514)	\$ 313,127	\$ (37,824)
Ohio Public Works Commission	126,569	133,230	(6,661)	-	133,230
Ohio Water Development Authority (O.W.D.A.)	4,349,484	4,073,052	276,432	4,133,563	(60,511)
Total Long Term Debt	4,713,842	4,481,585	232,257	4,446,690	34,895
Less: Current Maturities	116,639	344,871	(228,232)	96,657	248,214
Net Total Long Term Debt	\$ 4,597,203	\$ 4,136,714	\$ 460,489	\$ 4,350,033	\$ (213,319)

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

CASH

Cash and cash equivalents were \$192 thousand on December 31, 2007 and \$441 thousand on December 31, 2006. \$8,349 and \$8,349 of these funds were restricted in 2007 and 2006, 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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 183,194	\$ 432,130
Intergovernmental receivable	149	158
Accounts receivable	<u>123,231</u>	<u>104,446</u>
TOTAL CURRENT ASSETS	<u>306,574</u>	<u>536,734</u>
NONCURRENT ASSETS		
Restricted Assets:		
Cash in savings - contractor bonds	<u>8,349</u>	<u>8,349</u>
TOTAL RESTRICTED ASSETS	<u>8,349</u>	<u>8,349</u>
Capital Assets:		
Land easements	17,230	17,230
Water tower	52,100	52,100
Building - water plant	20,264	20,264
Water line construction	1,233,481	1,159,441
Water Line & plant construction in progress	-	818,026
Sewer line construction	3,046,839	3,046,839
Water treatment plant improvements	1,736,195	657,792
Water planning	104,789	104,789
Sewer planning	134,373	134,373
General equipment	<u>91,273</u>	<u>91,273</u>
	6,436,544	6,102,127
Less: Accumulated depreciation	<u>(2,081,348)</u>	<u>(1,866,688)</u>
Net Capital Assets	<u>4,355,196</u>	<u>4,235,439</u>
Other Assets:		
Prepaid insurance	253	248
Loan fees, net of \$9,161 accumulated amortization (\$8,603 in 2006)	8,432	8,989
Assessment receivables:		
Water	246,078	266,651
Sewer	<u>276,809</u>	<u>309,782</u>
Total Other Assets	<u>531,572</u>	<u>585,670</u>
TOTAL ASSETS	<u>\$ 5,201,691</u>	<u>\$ 5,366,192</u>

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

STATEMENTS OF NET ASSETS (Continued)

As of December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 32,295	\$ 164,556
Customer deposits	44,247	42,296
Contractor bonds payable	8,500	8,500
Notes & loans payable - current portion	72,380	69,568
Water revenue bonds payable - current portion	44,259	37,514
Accrued interest payable	1,191	1,345
TOTAL CURRENT LIABILITIES	<u>202,872</u>	<u>323,779</u>
NONCURRENT LIABILITIES		
Notes and loans payable, net of current portion	4,403,672	4,136,714
Water revenue bonds payable, net of current portion	<u>193,530</u>	<u>237,789</u>
TOTAL NONCURRENT LIABILITIES	<u>4,597,202</u>	<u>4,374,503</u>
TOTAL LIABILITIES	<u>4,800,074</u>	<u>4,698,282</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(358,645)	(246,146)
Restricted	8,349	8,349
Unrestricted	<u>751,913</u>	<u>905,707</u>
TOTAL NET ASSETS	<u>\$ 401,617</u>	<u>\$ 667,910</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

**GREENFIELD WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Billing revenues	\$ 736,460	\$ 624,705
Late charge revenues	14,314	15,715
TOTAL OPERATING REVENUES	<u>750,774</u>	<u>640,420</u>
OPERATING EXPENSES		
Trustee fees	4,450	6,175
Contract labor	5,300	4,564
Operations and testing	69,266	44,964
Lancaster service charge	247,345	184,865
Chemical and operating supplies	19,103	13,781
Sludge hauling	480	-
Repairs and maintenance	89,095	18,085
Telephone	4,999	5,271
Utilities	24,767	22,874
Accounting fees	3,457	3,896
Audit fees	1,219	5,775
Engineering fees	57,317	34,895
Legal fees	11,880	9,762
Billing fees	-	479
Office rent	3,900	4,525
Insurance	2,312	6,200
Advertising and communications	-	52
Office supplies	328	474
Postage	457	182
Bank service fees	-	65
Depreciation	214,660	182,526
Amortization	558	558
Total operating expenses	<u>760,893</u>	<u>549,968</u>
Operating income	<u>(10,119)</u>	<u>90,452</u>
NONOPERATING REVENUES (EXPENSES)		
Inspection fees (net of costs)	-	6,100
Tap fees and connection fees revenue	6,500	330,348
Lancaster tap fee expense	-	(29,689)
Other tap fee expense	-	(24,236)
Interest income	41,108	44,051
Intergovernmental	306	324
Meter fees	400	997
Miscellaneous income	3,475	7,160
Cost of meters	(16,784)	(13,624)
Interest expense	(291,179)	(275,551)
Miscellaneous expense	-	(11)
Net nonoperating revenues (expenses)	<u>(256,174)</u>	<u>45,869</u>
Changes in net assets before capital contributions	(266,293)	136,321
Capital contributions - intergovernmental	-	397,535
CHANGES IN NET ASSETS	(266,293)	533,856
NET ASSETS, BEGINNING OF YEAR	<u>667,910</u>	<u>134,054</u>
NET ASSETS, END OF YEAR	<u>\$ 401,617</u>	<u>\$ 667,910</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

**GREENFIELD WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 731,989	\$ 636,594
Cash payments to suppliers for goods and services	<u>(677,941)</u>	<u>(346,548)</u>
Net cash provided by operating activities	<u>54,048</u>	<u>290,046</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in customer deposits	1,951	11,340
Increase (decrease) in contractor bonds	-	4,000
Miscellaneous income	<u>3,475</u>	<u>7,160</u>
Net cash provided by non-capital financing activities	5,426	22,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from OWDA loans	433,976	142,597
Proceeds from OPWC loan	-	133,230
Tap fees	6,500	330,348
Lancaster tap fee expense	-	(29,689)
Other tap fee expense	-	(24,236)
Inspection fee	-	6,100
Meter fees net of cost	(16,384)	(12,627)
OWDA principal payments	(157,544)	(203,106)
OWDA interest payments	(272,725)	(255,309)
Fairfield National Revenue Bond principal payment	(37,514)	(37,827)
Fairfield National Revenue Bond interest payment	(18,609)	(21,683)
OPWC principal payments	(6,662)	-
Intergovernmental - capital contributions	-	397,535
Intergovernmental - interest subsidy	315	-
Special assessment collections - County Auditor	53,546	38,578
Special assessment interest income	39,816	42,707
Capital outlay	<u>(334,417)</u>	<u>(627,397)</u>
Net cash used by capital and related financing activities	<u>(309,702)</u>	<u>(120,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>1,292</u>	<u>1,344</u>
Net increase (decrease) in cash and cash equivalents	(248,936)	193,111
Cash and cash equivalents, beginning of year	<u>440,479</u>	<u>247,368</u>
Cash and cash equivalents, end of year	<u>\$ 191,543</u>	<u>\$ 440,479</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

**GREENFIELD WATER AND SEWER DISTRICT
FAIRFIELD COUNTY**

STATEMENTS OF CASH FLOWS - Continued

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (10,119)	\$ 90,452
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	215,218	183,084
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(18,785)	(3,826)
(Increase)/Decrease in prepaids	(5)	20
Increase/(Decrease) in accounts payable	<u>(132,261)</u>	<u>20,316</u>
Total adjustments	<u>64,167</u>	<u>199,594</u>
Net cash provided by operating activities	<u>\$ 54,048</u>	<u>\$ 290,046</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2007 and 2006

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.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision to the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District revenues.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the District has no component units.

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. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

1. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

2. 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.

3. 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, 2007 and 2006.

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, 2007 and 2006.

4. 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.

5. 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.

6. 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.

7. Restricted Assets

As explained in the Contractor Bonds note, a restricted savings account was established for contractor bonds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. 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. The District maintains a capital asset threshold of \$100.

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.

9. 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, 2007 and 2006 was \$558 for both years.

10. Income Tax

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

11. 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.

12. 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.

13. Interest Income

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

14. 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.

15. 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.

Of the District's \$8,349 and \$8,349 of restricted net assets as of December 31, 2007 and 2006, \$0 and \$0 respectively was restricted by enabling legislation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

16. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are district fees for water and sewer services provided. Operating expenses are necessary costs incurred to provide the goods and/or service that is the primary activity of the fund.

17. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2007 and 2006 are recorded as prepaid items using the consumption method. A current asset of the prepaid amount is recorded at the time of purchase and as an expense in the year in which the services are consumed.

NOTE C – CONTRACTOR BONDS

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, 2007 and 2006:

	2007	2006
Current receivables (0-30 days)	\$ 108,859	\$ 92,265
Delinquent receivables (over 30 days)	14,372	12,181
Total accounts receivables	\$ 123,231	\$ 104,446

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 \$246,078 and \$276,809 respectively, as of December 31, 2007 (\$266,651 and \$309,782, respectively as of December 31, 2006). 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 THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

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

Current and long-term debt at December 31, 2007 and 2006 are as follows:

	<u>Interest Rate</u>	<u>First Payment</u>	<u>Contract Term</u>		<u>12/31/07</u>	<u>12/31/06</u>
<u>Notes payable to OWDA:</u>						
Construction loan 1606	7.24%	1/1/1994	25 yrs.	\$	60,078	\$ 64,006
Construction loan 1607	7.24%	1/1/1994	25 yrs.		60,078	63,826
Construction loan 2938	6.58%	7/1/1996	25 yrs.		150,910	158,134
Construction loan 2966	6.72%	1/1/1997	25 yrs.		744,144	777,497
Construction loan 2967	6.72%	1/1/1997	25 yrs.		1,104,672	1,154,186
Construction loan 2968	6.32%	1/1/1998	24 yrs.		54,778	57,310
Construction loan 3193	6.13%	1/1/2002	25 yrs.		1,010,368	1,039,168
Construction loan 4114	3.98%	7/1/2006	25 yrs.		160,746	164,336
Construction loan 4115	3.98%	7/1/2006	25 yrs.		440,635	455,169
Construction loan 4472	4.49%	7/1/2007	30 yrs.		563,075	139,420
					<u>4,349,484</u>	<u>4,073,052</u>
<u>Other loans</u>						
Ohio Public Works Commission	0.00%	1/1/2027	20 yrs.		126,569	133,230
Fairfield National Bank	7.325%	9/12/2002	10 yrs.		237,789	275,303
					<u>237,789</u>	<u>275,303</u>
Total debt				\$	<u>4,713,842</u>	<u>\$ 4,481,585</u>

Long-term debt additions and reductions for the years ended December 31, 2007 and 2006 are as follows:

	<u>Balance 12/31/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2006</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 4,133,563	\$ 142,597	\$ 203,108	\$ 4,073,052	\$ 62,906
Ohio Public Works Commission	-	133,230	-	133,230	6,662
Fairfield National Bank	313,127	-	37,824	275,303	37,514
	<u>\$ 4,446,690</u>	<u>\$ 275,827</u>	<u>\$ 240,932</u>	<u>\$ 4,481,585</u>	<u>\$ 107,082</u>

	<u>Balance 12/31/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2007</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 4,073,052	\$ 433,976	\$ 157,544	\$ 4,349,484	\$ 69,049
Ohio Public Works Commission	133,230	-	6,662	126,568	3,331
Fairfield National Bank	275,303	-	37,514	237,789	44,259
	<u>\$ 4,481,585</u>	<u>\$ 433,976</u>	<u>\$ 201,720</u>	<u>\$ 4,713,841</u>	<u>\$ 116,639</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

**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			OPWC Loan
	Principal	Interest	Total	Principal	Interest	Total	Principal
2008	\$ 69,047	\$ 111,197	\$ 180,244	\$ 44,259	\$ 16,226	\$ 60,485	\$ 3,331
2009	146,354	69,047	215,401	47,710	12,776	60,486	6,661
2010	155,933	200,065	355,998	51,377	9,109	60,486	6,661
2011	166,143	189,855	355,998	55,325	5,161	60,486	6,661
2012	177,025	178,972	355,997	39,118	1,206	40,324	6,661
2013-2017	1,075,186	704,802	1,779,988	-	-	-	33,308
2018-2022	1,157,115	310,643	1,467,758	-	-	-	33,308
2023-2027	364,222	57,710	421,932	-	-	-	29,977
2028-2031	34,749	2,820	37,569	-	-	-	-
Total	<u>\$ 3,345,774</u>	<u>\$ 1,825,111</u>	<u>\$ 5,170,885</u>	<u>\$ 237,789</u>	<u>\$ 44,478</u>	<u>\$ 282,267</u>	<u>\$ 126,568</u>

Project loan agreements 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.

In connection with the OWDA loans listed above, the District has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The loans are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$5,170,885 at December 31, 2007. For the year ended December 31, 2007, net revenue available, principal and interest paid and the coverage ratio is as follows: \$204,541, \$430,268, and 0.48, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

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 five-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; and
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 THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

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.

Deposits – Custodial credit risk for deposits is the risk that in the event of the counterparty, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2007, the District's bank balance of \$192,783 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2006, the District's bank balance of \$449,017 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments – The District did not have any investments during fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

NOTE G – CAPITAL ASSETS

Capital assets activity for the fiscal year ended December 31, 2007 was as follows:

	Ending Balance 12/31/06	Additions	Deletions	Ending Balance 12/31/07
Capital Assets, Not Being Depreciated				
Land Easements	\$17,230	\$0	\$0	\$17,230
Water Line & Plant				
Construction in Progress	818,026	334,417	(1,152,443)	0
Total Capital Assets, Not Being Depreciated	<u>835,256</u>	<u>334,417</u>	<u>(1,152,443)</u>	<u>17,230</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	1,159,441	74,040	0	1,233,481
Sewer Line Construction	3,046,839	0	0	3,046,839
Water Treatment Plant Improvements	657,792	1,078,403	0	1,736,195
Water Planning	104,789	0	0	104,789
Sewer Planning	134,373	0	0	134,373
General Equipment	91,273	0	0	91,273
Total Capital Assets, Being Depreciated	<u>5,266,871</u>	<u>1,152,443</u>	<u>0</u>	<u>6,419,314</u>
Less Accumulated Depreciation:				
Water Tower	(28,373)	(1,971)	0	(30,344)
Building - Water Plant	(11,081)	(762)	0	(11,843)
Water Line Construction	(414,132)	(43,625)	0	(457,757)
Sewer Line Construction	(941,227)	(112,233)	0	(1,053,460)
Water Treatment Plant Improvements	(335,051)	(48,518)	0	(383,569)
Water Planning	(26,847)	(2,547)	0	(29,394)
Sewer Planning	(28,208)	(2,697)	0	(30,905)
General Equipment	(81,769)	(2,307)	0	(84,076)
Total Accumulated Depreciation	<u>(1,866,688)</u>	<u>(214,660)</u>	<u>0</u>	<u>(2,081,348)</u>
Total Capital Assets Being Depreciated, Net	<u>3,400,183</u>	<u>937,783</u>	<u>0</u>	<u>4,337,966</u>
Total Capital Assets, Net	<u>\$4,235,439</u>	<u>\$1,272,200</u>	<u>(\$1,152,443)</u>	<u>\$4,355,196</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

NOTE G – CAPITAL ASSETS – Continued

Capital assets activity for the fiscal year ended December 31, 2006 was as follows:

	Ending Balance 12/31/05	Additions	Deletions	Ending Balance 12/31/06
Capital Assets, Not Being Depreciated				
Land Easements	\$17,230	\$0	\$0	\$17,230
Water Line & Plant				
Construction in Progress	74,040	743,986	0	818,026
Total Capital Assets, Not Being Depreciated	91,270	743,986	0	835,256
Capital Assets Being Depreciated				
Water Tower	52,100	0	0	52,100
Building - Water Plant	20,264	0	0	20,264
Water Line Construction	1,159,441	0	0	1,159,441
Sewer Line Construction	3,038,359	8,480	0	3,046,839
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	1,894	0	91,273
Total Capital Assets, Being Depreciated	5,256,497	10,374	0	5,266,871
Less Accumulated Depreciation:				
Water Tower	(26,402)	(1,971)	0	(28,373)
Building - Water Plant	(10,319)	(762)	0	(11,081)
Water Line Construction	(371,247)	(42,885)	0	(414,132)
Sewer Line Construction	(828,995)	(112,232)	0	(941,227)
Water Treatment Plant Improvements	(308,101)	(26,950)	0	(335,051)
Water Planning	(24,300)	(2,547)	0	(26,847)
Sewer Planning	(25,511)	(2,697)	0	(28,208)
General Equipment	(89,287)	7,518	0	(81,769)
Total Accumulated Depreciation	(1,684,162)	(182,526)	0	(1,866,688)
Total Capital Assets Being Depreciated, Net	3,572,335	(172,152)	0	3,400,183
Total Capital Assets, Net	\$3,663,605	\$571,834	\$0	\$4,235,439

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions and natural disasters. The 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 THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2007 and 2006

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, 2007 and 2006, there were no contingent liabilities or pending litigation for the District that management believes is material to the basic financial statements.

NOTE J – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2007, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenue and Intra-Equity Transfers of Assets and Future Revenues*, which establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosures requirements for future revenues that are pledged or sold. The implementation of the Statement had no effect on the net assets of the District as previously reported.

For the fiscal year 2006, the District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have any effect on the net assets of the District as previously reported.

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Ohio Society of Certified Public Accountants

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*

Board of Directors
Greenfield Water and Sewer District
P.O. Box 172
Carroll, Ohio 43112

We have audited the business-type activities of the Greenfield Water and Sewer District, (the District) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated July 31, 2008, wherein we noted the District implemented Governmental Accounting Standard Board Statements No. 48, 42, 46 and 47. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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



Balestra, Harr & Scherer, CPAs, Inc.
July 31, 2008



Mary Taylor, CPA
Auditor of State

GREENFIELD 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
NOVEMBER 13, 2008**