

Greenfield Water and Sewer District
Fairfield County, Ohio

Regular Audit

January 1, 2008 through December 31, 2009

Fiscal Years Audited Under GAGAS: 2009 and 2008



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



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, 2008 through December 31, 2009. 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

September 17, 2010

This Page is Intentionally Left Blank.

Greenfield Water and Sewer District
Table of Contents
For the Years Ended December 31, 2009 and 2008

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Assets as of the Years Ended December 31, 2009 and 2008.....	8
Statement of Revenues, Expenses and Changes in Net Assets for the the Years Ended December 31, 2009 and 2008.....	10
Statement of Cash Flows for the Years Ended December 31, 2009 and 2008	11
Notes to the Financial Statements	13
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23



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, 2009 and 2008, 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.

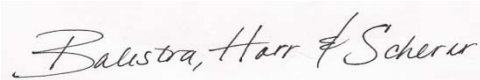
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Greenfield Water and Sewer District
Independent Auditors Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, 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. 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. You should read it in conjunction with this report in assessing the results of our audit.

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.



Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2010

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

This discussion and analysis, along with the accompanying financial reports, of Greenfield Township Water & Sewer District ("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 the District exceeded total liabilities on December 31, 2009 by \$253,394 and on December 31, 2008 by \$315,397. The District's net assets decreased by \$62,003 (19.7%) in 2009 and by \$86,220 (21.5%) in 2008.

The District's operating revenues increased by \$36,034 (4.6%) in 2009 and by \$36,396 (4.8%) in 2008. Operating and maintenance expenses (excluding depreciation and amortization expenses) decreased by \$31,474 (6.3%) in 2009 and by \$44,674 (8.2%) in 2008. Depreciation and amortization expenses increased by \$257 (0.1%) in 2009 and by \$21,674 (10.1%) in 2008.

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.

The **Notes to the Basic Financial Statements** are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(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

	2009	2008	Difference	2007	Difference
Current and Other Assets	\$ 753,231	\$ 777,316	\$ (24,085)	\$ 846,495	\$ (69,179)
Capital Assets	3,895,075	4,131,665	(236,590)	4,355,196	(223,531)
Total Assets	4,648,306	4,908,981	(260,675)	5,201,691	(292,710)
Noncurrent Liabilities	4,027,884	4,269,002	(241,118)	4,597,202	(328,200)
Current Liabilities	367,028	324,582	42,446	202,872	121,710
Total Liabilities	4,394,912	4,593,584	(198,672)	4,800,074	(206,490)
Net Assets					
Invested in Capital Assets, Net of Related Debt	(376,273)	(362,735)	(13,538)	(358,645)	(4,090)
Restricted	8,349	7,849	500	8,349	(500)
Unrestricted	621,318	670,283	(48,965)	751,913	(81,630)
Total Net Assets	\$ 253,394	\$ 315,397	\$ (62,003)	\$ 401,617	\$ (86,220)

The District's net assets decreased by \$62,003 (19.7%) and by \$86,220 (21.5%) in 2008. The 2009 decrease is primarily due to an increase in accumulated depreciation, a decrease in special assessments receivable and an increase in accounts payable which was only partially offset by a decrease in notes, loans and water revenue bonds payable. The 2008 decrease is primarily due to an increase in accumulated depreciation and a decrease in special assessments receivable which was only partially offset by a decrease in notes, loans and water revenue bonds payable.

Restricted net assets increased \$500 in 2009 and decreased \$500 in 2008. Restricted assets are cash deposits in escrow accounts for contractor bonds.

Unrestricted net assets decreased by \$48,965 in 2009 and by \$81,630 in 2008. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Unrestricted cash and cash equivalents increased by \$17,961 in 2009 and decreased by \$45,194 in 2008. The increase in unrestricted cash and cash equivalents in 2009 was primarily due to increases in billing revenue and decreases in expenses for repairs and maintenance and engineering fees which were partially offset by decreases in tap fee revenue and increases in the Lancaster service charge. For 2008, although billing revenue and tap fees and connection fees revenue increased and operations and testing, Lancaster service charge, engineering fees, cost of meters, and interest expenses decreased, expenses were still higher than revenues, resulting in the decrease in cash and cash equivalents.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(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>2009</u>	<u>2008</u>	<u>Difference</u>	<u>2007</u>	<u>Difference</u>
Operating Revenues	\$ 823,204	\$ 787,170	\$ 36,034	\$ 750,774	\$ 36,396
Total Operating Revenues	823,204	787,170	36,034	750,774	36,396
Operating Expenses (Excluding Depreciation and Amortization)	469,527	501,001	(31,474)	545,675	(44,674)
Depreciation and Amortization Expenses	237,149	236,892	257	215,218	21,674
Total Operating Expenses	706,676	737,893	(31,217)	760,893	(23,000)
Operating Income	116,528	49,277	67,251	(10,119)	59,396
Non-Operating Revenues	75,483	116,808	(41,325)	51,789	65,019
Non-Operating Expenses	254,014	252,305	1,709	307,963	(55,658)
Changes in Net Assets	(62,003)	(86,220)	24,217	(266,293)	180,073
Net Assets at Beginning of Year	315,397	401,617	(86,220)	667,910	(266,293)
Net Assets at End of Year	\$ 253,394	\$ 315,397	\$ (62,003)	\$ 401,617	\$ (86,220)

Operating revenues increased \$36,034 (4.6%) in 2009 primarily due to an increase in billing revenues. Non-operating revenues decreased \$41,325 (35.4%) in 2009 primarily due to decreases in inspection fees and tap fees and connection fees revenue. Operating expenses decreased \$31,217 (4.2%) from 2008 to 2009 due to several factors including decreases in repairs and maintenance, engineering fees, legal fees and audit fees, which were partially offset by increases in the Lancaster service charge. Non-operating expenses remained fairly stable from 2008 to 2009, increasing only \$1,709.

Operating revenues increased \$36,396 (4.8%) in 2008 primarily due to an increase in billing revenues. Non-operating revenues increased \$65,019 (125.5%) in 2008 primarily due to an increase in tap fees and connection fees revenue. Operating expenses decreased \$23,000 (3.0%) from 2007 to 2008 due to several factors including decreases in operations and testing, Lancaster service charge, and engineering fees, which were partially offset by increases in repairs and maintenance and depreciation expense. Non-operating expenses decreased \$55,658 (18.1%) from 2007 to 2008 due to decreases in cost of meters and interest expense.

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Management's Discussion and Analysis
 For the Years Ended December 31, 2009 and 2008
 (Unaudited)

CAPITAL ASSETS

The District had \$6.45 million invested in capital assets (before depreciation) at the end of both 2009 and 2008. There were no additions or disposals of capital assets during 2009. For 2008, this amount is an increase of \$12,803 (0.2%) from the previous year. This increase is due to water treatment plant improvements.

Table 3

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>2007</u>	<u>Difference</u>
Land Easements	\$ 17,230	\$ 17,230	\$ -	\$ 17,230	\$ -
Water Tower	52,100	52,100	-	52,100	-
Building - Water Plant	20,264	20,264	-	20,264	-
Water Line Construction	1,233,481	1,233,481	-	1,233,481	-
Sewer Line Construction	3,046,839	3,046,839	-	3,046,839	-
Water Treatment Plant Improvements	1,748,998	1,748,998	-	1,736,195	12,803
Water Planning	104,789	104,789	-	104,789	-
Sewer Planning	134,373	134,373	-	134,373	-
General Equipment	91,273	91,273	-	91,273	-
Totals Before Accumulated Depreciation	<u>6,449,347</u>	<u>6,449,347</u>	<u>-</u>	<u>6,436,544</u>	<u>12,803</u>
Accumulated Depreciation	<u>(2,554,272)</u>	<u>(2,317,682)</u>	<u>(236,590)</u>	<u>(2,081,348)</u>	<u>(236,334)</u>
Net Capital Assets	<u><u>\$ 3,895,075</u></u>	<u><u>\$ 4,131,665</u></u>	<u><u>\$ (236,590)</u></u>	<u><u>\$ 4,355,196</u></u>	<u><u>\$ (223,531)</u></u>

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

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(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

	2009	2008	Difference	2007	Difference
Water Revenue Bonds	\$ 139,768	\$ 184,210	\$ (44,442)	\$ 237,789	\$ (53,579)
Ohio Public Works Commission	113,246	119,907	(6,661)	126,568	(6,661)
Ohio Water Development Authority (O.W.D.A.)	4,018,334	4,190,283	(171,949)	4,349,484	(159,201)
Total Long Term Debt	4,271,348	4,494,400	(223,052)	4,713,841	(219,441)
Less: Current Maturities	243,464	225,398	18,066	201,720	23,678
Net Total Long Term Debt	\$ 4,027,884	\$ 4,269,002	\$ (241,118)	\$ 4,512,121	\$ (243,119)

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

CASH

Cash and cash equivalents were \$164 thousand on December 31, 2009 and \$146 thousand on December 31, 2008. \$8,349 and \$7,849 of these funds were restricted in 2009 and 2008, 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 & Sewer District
Fairfield County, Ohio
Statements of Net Assets
As of December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 155,961	\$ 138,000
Intergovernmental receivable	130	140
Accounts receivable	131,370	131,384
TOTAL CURRENT ASSETS	287,461	269,524
NONCURRENT ASSETS		
Restricted Assets:		
Cash in savings - contractor bonds	8,349	7,849
TOTAL RESTRICTED ASSETS	8,349	7,849
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	1,233,481
Sewer line construction	3,046,839	3,046,839
Water treatment plant improvements	1,748,998	1,748,998
Water planning	104,789	104,789
Sewer planning	134,373	134,373
General equipment	91,273	91,273
	6,449,347	6,449,347
Less: Accumulated depreciation	(2,554,272)	(2,317,682)
Net Capital Assets	3,895,075	4,131,665
Other Assets:		
Prepaid insurance	269	242
Loan fees, net of \$10,279 accumulated amortization (\$9,720 in 2008)	7,315	7,873
Assessment receivables:		
Water	211,086	228,422
Sewer	238,751	263,406
Total Other Assets	457,421	499,943
 TOTAL ASSETS	 \$ 4,648,306	 \$ 4,908,981

(Continued)

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Statements of Net Assets
 As of December 31, 2009 and 2008

	2009	2008
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 65,877	\$ 43,493
Customer deposits	48,542	46,852
Contractor bonds payable	8,500	8,000
Notes & loans payable - current portion	191,492	180,956
Water revenue bonds payable - current portion	51,972	44,442
Accrued interest payable	645	839
TOTAL CURRENT LIABILITIES	367,028	324,582
NONCURRENT LIABILITIES		
Notes and loans payable, net of current portion	3,940,088	4,129,234
Water revenue bonds payable, net of current portion	87,796	139,768
TOTAL NONCURRENT LIABILITIES	4,027,884	4,269,002
 TOTAL LIABILITIES	 4,394,912	 4,593,584
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(376,273)	(362,735)
Restricted	8,349	7,849
Unrestricted	621,318	670,283
 TOTAL NET ASSETS	 \$ 253,394	 \$ 315,397

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

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Billing revenues	\$ 807,330	\$ 777,880
Late charge revenues	15,874	9,290
TOTAL OPERATING REVENUES	<u>823,204</u>	<u>787,170</u>
OPERATING EXPENSES		
Trustee fees	5,925	5,900
Contract labor	3,900	3,575
Operations and testing	57,850	54,720
Lancaster service charge	269,953	224,792
Chemical and operating supplies	8,124	12,987
Repairs and maintenance	46,245	95,893
Telephone	5,006	5,079
Utilities	22,745	22,944
Accounting fees	5,790	4,690
Audit fees	-	6,319
Engineering fees	28,337	42,316
Legal fees	4,530	11,213
Billing fees	-	123
Office rent	3,900	3,575
Insurance	6,495	6,140
Advertising and communications	17	23
Office supplies	439	454
Postage	271	258
Depreciation	236,590	236,334
Amortization	559	558
TOTAL OPERATING EXPENSES	<u>706,676</u>	<u>737,893</u>
OPERATING INCOME	<u>116,528</u>	<u>49,277</u>
NONOPERATING REVENUES (EXPENSES)		
Inspection fees (net of costs)	100	7,963
Tap fees and connection fees revenue	31,098	62,760
Interest income	37,576	39,702
Intergovernmental	409	438
Meter fees	-	150
Miscellaneous income	6,300	5,795
Cost of meters	(1,624)	(234)
Interest expense	(252,390)	(252,071)
NET NONOPERATING REVENUES (EXPENSES)	<u>(178,531)</u>	<u>(135,497)</u>
CHANGES IN NET ASSETS	(62,003)	(86,220)
NET ASSETS, BEGINNING OF YEAR	<u>315,397</u>	<u>401,617</u>
NET ASSETS, END OF YEAR	<u>\$ 253,394</u>	<u>\$ 315,397</u>

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

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 823,218	\$ 779,017
Cash payments to suppliers for goods and services	(447,170)	(489,792)
Net cash provided by operating activities	<u>376,048</u>	<u>289,225</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in customer deposits	1,690	2,605
Increase/(Decrease) in contractor bonds	500	(500)
Miscellaneous income	6,300	5,795
Net cash provided by non-capital financing activities	<u>8,490</u>	<u>7,900</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	31,098	62,760
Inspection fee	100	7,963
Meter fees net of cost	(1,624)	(84)
OWDA principal payments	(171,949)	(159,201)
OWDA interest payments	(241,764)	(250,907)
Fairfield National Revenue Bond principal payment	(44,442)	(53,579)
Fairfield National Revenue Bond interest payment	(10,820)	(1,516)
OPWC principal payments	(6,661)	(6,661)
Intergovernmental - interest subsidy	419	447
Special assessment collections - County Auditor	41,991	31,060
Special assessment interest income	36,963	38,965
Capital outlay	-	(12,803)
Net cash used by capital and related financing activities	<u>(366,689)</u>	<u>(343,556)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>612</u>	<u>737</u>
Net increase/(decrease) in cash and cash equivalents	18,461	(45,694)
Cash and cash equivalents, beginning of year	<u>145,849</u>	<u>191,543</u>
Cash and cash equivalents, end of year	<u>\$ 164,310</u>	<u>\$ 145,849</u>
CAPITAL AND RELATED FINANCING ACTIVITIES NOT RESULTING IN CASH FLOWS		
OWDA proceeds	\$ 2,346	\$ 8,496
OWDA principal adjustment	(2,346)	(8,496)

(Continued)

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Statements of Cash Flows (Continued)
 For the Years Ended December 31, 2009 and 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 116,528	\$ 49,277
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	237,149	236,892
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	14	(8,153)
(Increase)/Decrease in prepaids	(27)	11
Increase in accounts payable	22,384	11,198
Total adjustments	259,520	239,948
Net cash provided by operating activities	\$ 376,048	\$ 289,225

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

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE A – NATURE OF ORGANIZATION

Greenfield Township Water & 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 accounting principles generally accepted in the United States of America 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, net assets, 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.

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. The District's enterprise fund is described as follows:

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, 2009 and 2008.

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, 2009 and 2008.

- 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 statement of net assets. 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 Note C, a restricted savings account was established for contractor bonds.

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, 2009 and 2008 was \$559 and \$558, respectively.

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 bonds 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 \$7,849 of restricted net assets as of December 31, 2009 and 2008, respectively, none was restricted by enabling legislation.

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Notes to the Basic Financial Statements
 For the Years Ended December 31, 2009 and 2008

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. Revenues and expenses not meeting these definitions are reported as nonoperating.

17. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2009 and 2008 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, 2009 and 2008:

	2009	2008
Current receivables (0-30 days)	\$ 115,605	\$ 116,061
Delinquent receivables (over 30 days)	15,765	15,323
Total accounts receivables	\$ 131,370	\$ 131,384

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 \$211,086 and \$238,751, respectively, as of December 31, 2009 (\$228,422 and \$263,406 respectively, as of December 31, 2008). These amounts will be paid over the life of the related debt including interest at a rate of 6.72%.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE E – CURRENT AND LONG-TERM DEBT

Current and long-term debt at December 31, 2009 and 2008 are as follows:

	<u>Interest Rate</u>	<u>First Payment</u>	<u>Contract Term</u>	<u>12/31/09</u>	<u>12/31/08</u>
Notes payable to OWDA:					
Construction loan 1606	7.24%	1/1/1994	25 yrs.	\$ 51,747	\$ 56,058
Construction loan 1607	7.24%	1/1/1994	25 yrs.	51,747	56,058
Construction loan 2938	6.58%	7/1/1996	25 yrs.	135,005	143,211
Construction loan 2966	6.72%	1/1/1997	25 yrs.	670,563	708,549
Construction loan 2967	6.72%	1/1/1997	25 yrs.	995,439	1,051,831
Construction loan 2968	6.32%	1/1/1998	24 yrs.	49,225	52,087
Construction loan 3193	6.13%	1/1/2002	25 yrs.	947,280	979,776
Construction loan 4114	3.98%	7/1/2006	25 yrs.	151,811	156,366
Construction loan 4115	3.98%	7/1/2006	25 yrs.	421,416	434,062
Construction loan 4472	4.49%	7/1/2007	30 yrs.	544,101	552,285
				<u>4,018,334</u>	<u>4,190,283</u>
Other loans and bonds:					
Ohio Public Works Commission Loan	0.00%	1/1/2027	20 yrs.	113,246	119,907
Fairfield National Bank Bonds	7.325%	9/12/2002	10 yrs.	139,768	184,210
				<u>139,768</u>	<u>184,210</u>
Total debt				<u>\$ 4,271,348</u>	<u>\$ 4,494,400</u>

Long-term debt additions and reductions for the years ended December 31, 2009 and 2008 are as follows:

	<u>Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 4,190,283	\$ 2,346	\$ 174,295	\$ 4,018,334	\$ 184,831
Ohio Public Works Commission	119,907	-	6,661	113,246	6,661
Fairfield National Bank	184,210	-	44,442	139,768	51,972
	<u>\$ 4,494,400</u>	<u>\$ 2,346</u>	<u>\$ 225,398</u>	<u>\$ 4,271,348</u>	<u>\$ 243,464</u>
	<u>Balance 12/31/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2008</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 4,349,484	\$ 8,496	\$ 167,697	\$ 4,190,283	\$ 174,295
Ohio Public Works Commission	126,568	-	6,661	119,907	6,661
Fairfield National Bank	237,789	-	53,579	184,210	44,442
	<u>\$ 4,713,841</u>	<u>\$ 8,496</u>	<u>\$ 227,937</u>	<u>\$ 4,494,400</u>	<u>\$ 225,398</u>

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE E – CURRENT AND LONG-TERM DEBT - 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 Bonds			OPWC Loan
	Principal	Interest	Total	Principal	Interest	Total	Principal
2010	\$ 184,831	\$ 235,940	\$ 420,771	\$ 51,972	\$ 8,514	\$ 60,486	\$ 6,661
2011	196,388	224,383	420,771	55,910	4,576	60,486	6,661
2012	208,684	212,087	420,771	31,886	719	32,605	6,661
2013	221,765	199,006	420,771	-	-	-	6,661
2014	235,683	185,088	420,771	-	-	-	6,661
2015-2019	1,394,755	546,236	1,940,991	-	-	-	33,308
2020-2024	910,026	273,710	1,183,736	-	-	-	33,308
2025-2029	418,740	96,893	515,633	-	-	-	13,325
2030-2034	181,267	34,146	215,413	-	-	-	-
2035-2036	66,195	3,755	69,950	-	-	-	-
Total	<u>\$ 4,018,334</u>	<u>\$ 2,011,244</u>	<u>\$ 6,029,578</u>	<u>\$ 139,768</u>	<u>\$ 13,809</u>	<u>\$ 153,577</u>	<u>\$ 113,246</u>

In connection with the OWDA loans and revenue bonds 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 and bonds 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 \$6,029,578 at December 31, 2009 and \$5,608,759 at December 31, 2008. For the year ended December 31, 2009, net revenue available, principal and interest paid and the coverage ratio is as follows: \$353,118, \$471,127, and 0.75, respectively. For the year ended December 31, 2008, net revenue available, principal and interest paid and the coverage ratio is as follows: \$285,611, \$465,203, and 0.61, respectively.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

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 & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

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 failure 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, 2009, the District's bank balance of \$164,316 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above. As of December 31, 2008, the District's bank balance of \$149,812 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 2009 and 2008.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE G – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2009 was as follows:

	Ending Balance 12/31/08	Additions	Deletions	Ending Balance 12/31/09
Capital Assets, Not Being Depreciated				
Land Easements	\$ 17,230	\$ -	\$ -	\$ 17,230
Total Capital Assets, Not Being Depreciated	17,230	-	-	17,230
Capital Assets Being Depreciated				
Water Tower	52,100	-	-	52,100
Building - Water Plant	20,264	-	-	20,264
Water Line Construction	1,233,481	-	-	1,233,481
Sewer Line Construction	3,046,839	-	-	3,046,839
Water Treatment Plant Improvements	1,748,998	-	-	1,748,998
Water Planning	104,789	-	-	104,789
Sewer Planning	134,373	-	-	134,373
General Equipment	91,273	-	-	91,273
Total Capital Assets, Being Depreciated	6,432,117	-	-	6,432,117
Less Accumulated Depreciation:				
Water Tower	(32,315)	(1,968)	-	(34,283)
Building - Water Plant	(12,605)	(765)	-	(13,370)
Water Line Construction	(501,483)	(43,726)	-	(545,209)
Sewer Line Construction	(1,165,692)	(112,231)	-	(1,277,923)
Water Treatment Plant Improvements	(453,912)	(70,599)	-	(524,511)
Water Planning	(31,941)	(2,547)	-	(34,488)
Sewer Planning	(33,602)	(2,698)	-	(36,300)
General Equipment	(86,132)	(2,056)	-	(88,188)
Total Accumulated Depreciation	(2,317,682)	(236,590)	-	(2,554,272)
Total Capital Assets Being Depreciated, Net	4,114,435	(236,590)	-	3,877,845
Total Capital Assets, Net	\$ 4,131,665	\$ (236,590)	\$ -	\$ 3,895,075

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE G – CAPITAL ASSETS – Continued

Capital assets activity for the year ended December 31, 2008 was as follows:

	Ending Balance 12/31/07	Additions	Deletions	Ending Balance 12/31/08
Capital Assets, Not Being Depreciated				
Land Easements	\$ 17,230	\$ -	\$ -	\$ 17,230
Total Capital Assets, Not Being Depreciated	17,230	-	-	17,230
Capital Assets Being Depreciated				
Water Tower	52,100	-	-	52,100
Building - Water Plant	20,264	-	-	20,264
Water Line Construction	1,233,481	-	-	1,233,481
Sewer Line Construction	3,046,839	-	-	3,046,839
Water Treatment Plant Improvements	1,736,195	12,803	-	1,748,998
Water Planning	104,789	-	-	104,789
Sewer Planning	134,373	-	-	134,373
General Equipment	91,273	-	-	91,273
Total Capital Assets, Being Depreciated	6,419,314	12,803	-	6,432,117
Less Accumulated Depreciation:				
Water Tower	(30,344)	(1,971)	-	(32,315)
Building - Water Plant	(11,843)	(762)	-	(12,605)
Water Line Construction	(457,757)	(43,726)	-	(501,483)
Sewer Line Construction	(1,053,460)	(112,232)	-	(1,165,692)
Water Treatment Plant Improvements	(383,569)	(70,343)	-	(453,912)
Water Planning	(29,394)	(2,547)	-	(31,941)
Sewer Planning	(30,905)	(2,697)	-	(33,602)
General Equipment	(84,076)	(2,056)	-	(86,132)
Total Accumulated Depreciation	(2,081,348)	(236,334)	-	(2,317,682)
Total Capital Assets Being Depreciated, Net	4,337,966	(223,531)	-	4,114,435
Total Capital Assets, Net	\$ 4,355,196	\$ (223,531)	\$ -	\$ 4,131,665

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.

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, 2009 and 2008, there were no contingent liabilities or pending litigation for the District that management believes is material to the basic financial statements.



**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Required By *Government Auditing Standards***

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

We have audited the financial statements of the business-type activities of Greenfield Water and Sewer District (the District), Fairfield County, Ohio as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Greenfield Water and Sewer District
Fairfield County

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Required By *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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 management and members of District's Board. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2010



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
SEPTEMBER 30, 2010**