



Mary Taylor, CPA
Auditor of State

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets – As of December 31, 2009 and 2008	7
Statement of Revenues, Expenses, and Changes in Net Assets – For the Years Ended December 31, 2009 and 2008	8
Statement of Cash Flows – For the Years Ended December 31, 2009 and 2008	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Finding	25

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Western Guernsey Regional Water District
Guernsey County
61786 Shaw Road
Cambridge, Ohio 43725

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Western Guernsey Regional Water District, Guernsey County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Guernsey Regional Water District, Guernsey County, Ohio, as of December 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 17, 2010

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

The discussion and analysis of the Western Guernsey Regional Water District's (the District) financial performance provides an overall review of the District's financial activities for the years ended December 31, 2009 and 2008. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Using this Financial Report

This report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the District did financially during the years ended December 31, 2009 and 2008. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting considers all of the District's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Table 1 provides a summary of the District's Net Assets for 2009, 2008, and 2007.

Table 1 Net Assets			
	2009	2008	2007
Assets			
Current and Other Assets	\$ 353,952	\$ 299,431	\$ 294,648
Capital Assets, Net	145,733	167,723	224,189
Total Assets	499,685	467,154	518,837
Liabilities			
Current Liabilities	74,980	81,561	79,560
Noncurrent Liabilities	230,429	273,143	314,640
Total Liabilities	305,409	354,704	394,200
Net Assets			
Invested in Capital Assets, Net of Related Debt	(126,886)	(146,820)	(129,996)
Restricted	110,052	102,472	92,142
Unrestricted	211,110	156,798	162,491
Total Net Assets	\$ 194,276	\$ 112,450	\$ 124,637

The District's 2009 increase in total net assets of \$81,826 was mainly due to an increase in cash due to decreased expenses and a decrease in noncurrent liabilities due to payments made on the District's loans. The 2008 decrease in total net assets of \$12,187 was mainly due to a decrease in net capital assets due to disposal of capital assets and related loss on disposal.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Table 2 shows the change in net assets for the years ended December 31, 2009, 2008, and 2007.

**Table 2
Revenue and Expenses**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues:			
Charges for Services	\$ 629,766	\$ 619,536	\$ 637,841
Non-Operating Revenues:			
Interest	3,020	1,440	5,471
Miscellaneous	2,870	3,399	2,630
Total Revenues	<u>635,656</u>	<u>624,375</u>	<u>645,942</u>
Operating Expenses:			
Contract Services	265,316	277,552	303,318
Professional Fees	6,315	19,087	8,247
Advertising	54	16	16
Bank Charges	380	379	34
Wages	106,558	111,015	99,436
Employee Benefits	16,754	18,458	15,225
Postage and Office Supplies	9,953	9,609	8,253
Group Insurance	9,510	7,364	10,834
General Insurance	6,936	4,027	9,615
Small Tools and Supplies	31,863	58,553	32,101
Ground Maintenance	1,870	2,076	1,020
Workers compensation	1,603	2,221	-
Outside Services	5,399	4,409	10,624
Depreciation	21,991	31,208	32,961
Dues and Subscriptions	435	498	1,307
Vehicle Expense	11,442	16,099	13,991
Phone and Utilities	24,871	23,224	19,816
Licenses and Permits	3,566	1,183	2,318
Repairs	15,575	5,006	8,173
Real Estate Taxes	(1,881)	1,551	-
Rentals	230	-	50
Miscellaneous		697	1,279
Non-Operating Expenses:			
Interest Expense	15,090	16,236	18,383
Loss on Disposal of Assets	-	26,094	8,338
Total Expenses	<u>553,830</u>	<u>636,562</u>	<u>605,339</u>
Change in Net Assets	81,826	(12,187)	40,603
Net Assets Beginning of Year	112,450	124,637	84,034
Net Assets End of Year	<u><u>\$ 194,276</u></u>	<u><u>\$ 112,450</u></u>	<u><u>\$ 124,637</u></u>

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)**

Operating revenues consisted of user charges for water consumption. Operating expenses reflect the cost of providing these services. From 2008 to 2009, operating revenues increased due to increased water usage and net assets increased due to the increase in revenues and decrease in expenses. From 2007 to 2008, expenses increased and net assets decreased due to loss on disposal of assets.

Capital Assets and Debt Administration

Capital Assets

Table 3 provides a summary of the District's capital assets for 2009, 2008, and 2007.

**Table 3
Capital Assets
(Net of Depreciation)**

	2009	2008	2007
Buildings & Improvements	\$ 42,765	\$ 44,132	\$ 44,970
Infrastructure	66,869	78,229	96,929
Machinery & Equipment	18,843	23,635	52,696
Vehicles	3,670	7,763	15,246
Office Equipment	1,086	1,464	1,848
Land	12,500	12,500	12,500
Total	<u>\$ 145,733</u>	<u>\$ 167,723</u>	<u>\$ 224,189</u>

During the periods ended December 31, 2009 and 2008, the District did not invest in new equipment. Depreciation expense during 2009 amounted to \$21,991 and during 2008 amounted to \$31,208.

Debt Administration

The District did not incur any new debt during the years ended December 31, 2009 and 2008.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Michele Swingle, Clerk, Western Guernsey Regional Water District, 61786 Shaw Road, Cambridge, Ohio 43725-9441.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$76,621	\$28,261
Segregated Accounts:		
Indebt Service	34,891	34,708
Capital Improvement	75,161	67,764
Short Term Investment	54,075	54,054
Accounts Receivable	79,694	90,389
Inventories	33,510	24,255
Total Current Assets	353,952	299,431
Noncurrent Assets:		
Capital Assets		
Buildings and Improvements	109,714	109,714
Infrastructure	922,094	922,094
Machinery and Equipment	38,344	38,344
Vehicles	42,499	42,499
Office Equipment	2,088	2,088
	1,114,739	1,114,739
Less: Accumulated Depreciation	(981,506)	(959,516)
Land	12,500	12,500
Total Noncurrent Assets	145,733	167,723
Total Assets	\$499,685	\$467,154
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current Portion, Long Term Debt	\$37,490	\$36,700
Current Portion, Lease Payable	4,700	4,700
Accounts Payable	18,246	21,577
Accrued Liabilities	12,294	12,684
Customer Deposits	2,250	5,900
Total Current Liabilities	74,980	81,561
Noncurrent Liabilities		
Long-Term Debt, Net of Current Portion	226,315	264,283
Lease Payable, Net of Current Portion	4,114	8,860
Total Noncurrent Liabilities	230,429	273,143
Total Liabilities	305,409	354,704
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	(126,886)	(146,820)
Restricted for Debt Service	34,891	34,708
Restricted for Capital Improvements	75,161	67,764
Unrestricted	211,110	156,798
Total Net Assets	194,276	112,450
Total Liabilities and Net Assets	\$499,685	\$467,154

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

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating Revenue:		
Charges for Services	\$629,766	\$619,536
Operating Expenses:		
Contract Services	265,316	277,552
Professional Fees	6,315	19,087
Advertising	54	16
Bank Charges	380	379
Wages	106,558	111,015
Employee Benefits	16,754	18,458
Postage and Office Supplies	9,953	9,609
General Insurance	6,936	4,027
Group Insurance	9,510	7,364
Workers Compensation	1,603	2,221
Small Tools and Supplies	31,863	58,553
Ground Maintenance	1,870	2,076
Rentals	230	
Outside Services	5,399	4,409
Depreciation	21,991	31,208
Dues and Subscriptions	435	498
Vehicle Expense	11,442	16,099
Phone and Utilities	24,871	23,224
Licenses and Permits	3,566	1,183
Repairs	15,575	5,006
Real Estate Tax	(1,881)	1,551
Miscellaneous		697
Total Operating Expenses	<u>538,740</u>	<u>594,232</u>
Operating Income	91,026	25,304
Non-Operating Revenues (Expenses):		
Rental Income	1,020	2,090
Hydrant Assessments	1,850	
Miscellaneous		1,309
Interest Earned	3,020	1,440
Loss on Disposal of Assets		(26,094)
Interest Expense		(16,236)
Total Non-Operating Revenues (Expenses)	<u>5,890</u>	<u>(37,491)</u>
Increase/(Decrease) in Net Assets	96,916	(12,187)
Net Assets, Beginning of Period	<u>112,450</u>	<u>124,637</u>
Net Assets, End of Period	<u>\$209,366</u>	<u>\$112,450</u>

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

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$643,331	\$641,495
Cash paid to suppliers and employees	(533,375)	(560,490)
Net cash provided by operating activities	109,956	81,005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	3,020	1,440
Net cash provided by investing activities	3,020	1,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of property		1,000
Payments of lease	(4,746)	(4,856)
Payments of long-term debt	(37,178)	(38,496)
Interest paid	(15,112)	(14,416)
Net cash used for capital and related financing activities	(57,036)	(56,768)
Net increase in cash	55,940	25,677
Cash, beginning of period	130,733	105,056
Cash, end of period	\$186,673	\$130,733

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 91,026	\$ 25,304
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	21,991	31,208
Rental Income	1,020	2,090
Hydrant Assessments	1,850	
Miscellaneous		1,309
(Increase) Decrease in Assets:		
Accounts Receivable	10,695	18,268
Inventory	(9,255)	2,680
Increase (Decrease) in Liabilities:		
Accounts Payable	(3,331)	(295)
Accrued Payroll Taxes	(390)	(709)
Customer Deposits	(3,650)	1,150
Net cash provided by operating activities	\$ 109,956	\$ 81,005

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

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**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Western Guernsey Regional Water District, Guernsey County (the "District"), was organized under the provisions of Section 6119 of the Ohio Revised Code on June 1, 2004. Prior to that date, the District was operated as a not-for-profit corporation known as Western Guernsey Services Company. The District is governed by a five member Board of Trustees elected to staggered three year terms by users of the District's water system. The District furnishes water service to customers in the rural areas of Guernsey County, Ohio. Customers are billed on a monthly basis for water used and are included in accounts receivable until paid.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Water District applies GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board (FASB) Interpretations, Accounting Principles Board Opinions (APBO), and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The District's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

Measurement Focus and Basis of Accounting

Transactions are 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 District are included on the statement of net assets. Net assets (i.e., equity) is segregated into invested in capital assets, net of related debt, restricted for purpose, and unrestricted components. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The District uses the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

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.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Bad debts expense has been minimal and, as a result, accounts receivable do not include an allowance for doubtful accounts. The District has the ability under the provision of Ohio Rev. Code Section 6119.06(W) to certify unpaid charges to the County Auditor and place a lien upon the property.

Inventory

Inventory consists of water meters and repair parts. Inventory is stated at the lower of cost or market value based on the first-in, first-out method (FIFO).

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

<u>Description</u>	<u>Estimated Life</u>	<u>Method</u>
Buildings and Improvements	10-40 years	Straight line
Infrastructure	10-40 years	Straight line
Machinery and Equipment	5-10 years	Straight line
Vehicles	5-10 years	Straight line and accelerated
Office Equipment	5-10 years	Straight line and accelerated

Long-Term Obligations

The District records obligations not expected to be financed within one year by available financial resources as long-term debt, which consisted of Berkadia Commercial Mortgage LLC notes (formerly GMAC Commercial Mortgage Corporation) and a capital lease.

Net Assets

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

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Leave

All full time permanent employees are entitled to vacation leave, with pay, after the completion of one full year of employment. Vacation leave must be taken by the employee during the year following that in which it was accrued however in special cases the Board may permit an employee to carry over vacation leave to the following year. In no case is any employee allowed to carry over more than one year's accrued vacation for longer than two years. At the time of separation, an employee is entitled to compensation at their current rate of pay for the pro-rated portion of any earned but unused vacation leave for the current year and for any unused vacation leave from a prior period accrued to the employee's credit with the approval of the Board.

All employees earn sick leave at the rate of 4.6 hours for each 80 hours in active pay status. Employees with a minimum of ten years of service may receive 25% of their accumulated sick leave, not to exceed thirty days, upon retirement through PERS.

As of December 31, 2009 and 2008 the District's employees had not accrued any significant leave balances.

Revenue and Expenses

Operating revenues and expenses result from providing water conveyance services. Operating revenues consist of user charges for water services based on water consumption. Operating expenses include the cost of these water services, including administrative expenses. Revenues and expenses which do not meet these definitions are reported as Non-Operating Revenues or Expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

State statute outlines allowable deposits and investments for the District. The District may invest in certificates of deposit, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

Cash on Hand

At the end of each year, the District had \$105 in undeposited cash on hand which is included as part of "Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2009, the District's deposits were \$240,643 and the bank balance was \$238,467. At December 31, 2008, the District's deposits were \$184,682 and the bank balance was \$188,620. Of the bank balances, all amounts were covered by FDIC insurance.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 3: SEGREGATED ACCOUNTS

The District is required by loan covenants with Berkadia, formerly GMAC, to segregate amounts for debt service and capital reserve. These balances are maintained in bank accounts separate from the general account.

NOTE 4: RECEIVABLES

Receivables at December 31, 2009 consisted of \$79,694 in water service billings due from water system users during January and February 2010. Receivables at December 31, 2008 consisted of \$90,389 in water service billings due from water system users during January and February 2009.

NOTE 5: LONG-TERM DEBT OBLIGATIONS

The District had the following long-term debt obligations as of December 31, 2009 and December 31, 2008:

Note payable – Berkadia Commercial Mortgage LLC, formerly GMAC, issued in May, 1981, collateralized by all properties considered part of the water system. Annual payments of \$35,913 include interest at 5%. Final payment due May, 2013.	<u>2009</u>	<u>2008</u>
	\$ 124,441	\$152,930
 Note payable - Berkadia Commercial Mortgage LLC, formerly GMAC, issued in June, 1971, collateralized by all properties considered part of the water system. Annual payments of \$15,876 include interest at 5%. Final payment due May, 2021.	 <u>139,364</u>	 <u>148,053</u>
Total Long-Term Obligations	263,805	300,983
less: current portion	<u>37,490</u>	<u>36,700</u>
Long-Term Debt, net of current portion	<u>\$ 226,315</u>	<u>\$264,283</u>

During the year ended December 31, 2009, principal payments amounted to \$28,489 on the 1981 Note Payable and \$8,689 on the 1971 Note Payable. During the year ended December 31, 2008, principal payments amounted to \$26,965 on the 1981 Note Payable and \$8,131 on the 1971 Note Payable. Balances at January 1, 2008 of the 1981 Note Payable and 1971 Note Payable were \$179,895 and \$156,184, respectively.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 5: LONG-TERM DEBT OBLIGATIONS (Continued)

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

<u>Year ending December 31:</u>	<u>Berkadia Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 37,490	\$ 13,217
2011	40,501	11,288
2012	42,526	9,263
2013	41,448	7,137
2014	10,812	5,064
2015-2019	62,729	16,651
2020-2021	28,299	2,050
	<u>\$ 263,805</u>	<u>\$ 64,670</u>

NOTE 6: CAPITAL LEASE OBLIGATION

The following is an analysis of property held under capital lease by major classes at December 31, 2009:

Equipment	\$ 24,500
Less: accumulated depreciation	<u>7,963</u>
	<u>\$ 16,537</u>

The following is an analysis of property held under capital lease by major classes at December 31, 2008:

Equipment	\$ 24,500
Less: accumulated depreciation	<u>5,513</u>
	<u>\$ 18,987</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2009:

2010	5,239
2011	<u>3,929</u>
Net minimum payments	9,168
Less: amount representing Interest	<u>354</u>
Present value of net minimum Lease payments	<u>\$ 8,814</u>

As of December 31, 2009, the above is reflected in the statement of net assets as current and non-current obligations under capital leases of \$4,700 and \$4,114, respectively.

As of December 31, 2008, the above is reflected in the statement of net assets as current and non-current obligations under capital leases of \$4,700 and \$8,860, respectively.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 7: CAPITAL ASSETS

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

	<u>Balance 1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
Nondepreciable Capital Assets				
Land	\$ 12,500	\$	\$	\$ 12,500
Depreciable Capital Assets				
Buildings & Improvements	109,714			109,714
Infrastructure	922,094			922,094
Machinery & Equipment	38,344			38,344
Vehicles	42,499			42,499
Office Equipment	2,088			2,088
Total Depreciable Capital Assets	<u>1,114,739</u>	<u>-</u>	<u>-</u>	<u>1,114,739</u>
Less Accumulated Depreciation				
Buildings & Improvements	(65,582)	(1,367)		(66,949)
Infrastructure	(843,865)	(11,360)		(855,225)
Machinery & Equipment	(14,709)	(4,792)		(19,501)
Vehicles	(34,736)	(4,093)		(38,829)
Office Equipment	(624)	(378)		(1,002)
Total Accumulated Depreciation	<u>(959,516)</u>	<u>(21,990)</u>	<u>-</u>	<u>(981,506)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>155,223</u>	<u>(21,990)</u>	<u>-</u>	<u>133,233</u>
Total Capital Assets	<u>\$ 167,723</u>	<u>\$ (21,990)</u>	<u>\$ -</u>	<u>\$ 145,733</u>

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 7: CAPITAL ASSETS (Continued)

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

	<u>Balance 1/1/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/08</u>
Nondepreciable Capital Assets				
Land	\$ 12,500	\$	\$	\$ 12,500
Depreciable Capital Assets				
Buildings & Improvements	109,714			109,714
Infrastructure	1,116,378		(194,284)	922,094
Machinery & Equipment	95,055		(56,711)	38,344
Vehicles	44,999		(2,500)	42,499
Office Equipment	10,344		(8,256)	2,088
Total Depreciable Capital Assets	<u>1,376,490</u>	<u>-</u>	<u>(261,751)</u>	<u>1,114,739</u>
Less Accumulated Depreciation				
Buildings & Improvements	(64,744)	(838)		(65,582)
Infrastructure	(1,019,449)	(13,125)	188,709	(843,865)
Machinery & Equipment	(42,359)	(9,377)	37,027	(14,709)
Vehicles	(29,753)	(7,483)	2,500	(34,736)
Office Equipment	(8,496)	(384)	8,256	(624)
Total Accumulated Depreciation	<u>(1,164,801)</u>	<u>(31,207)</u>	<u>236,492</u>	<u>(959,516)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>211,689</u>	<u>(31,207)</u>	<u>(25,259)</u>	<u>155,223</u>
Total Capital Assets	<u>\$ 224,189</u>	<u>\$ (31,207)</u>	<u>\$ (25,259)</u>	<u>\$ 167,723</u>

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 8: OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for 2009 and 2008 were \$14,919 and \$15,542, respectively; 100 percent has been contributed for 2009 and 2008.

NOTE 9: POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2009 local government employer contribution rate was 14 percent of covered payroll; 7 percent was the portion that was used to fund health care from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009. The 2008 local government employer contribution rate was 14 percent of covered payroll; 7 percent was the portion that was used to fund health care.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

NOTE 9: POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 to 3 percent annually for the next six years and 4 percent annually thereafter.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 357,584 at December 31, 2009. Actual District contributions for 2009 and 2008 which were used to fund postemployment benefits were \$6,235 and \$7,771, respectively. The actual contribution and the actuarially required contribution amounts are the same.

The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, inquiries to employees and natural disasters. Significant risk of losses is covered by commercial insurance. The District has not significantly reduced this coverage from the prior year. Settled claims have not exceeded coverage in any of the past 3 years.

NOTE 11: COMPLIANCE

The District did not formally adopt an operating budget or follow the other budgetary processes outlined by Ohio Rev. Code Section 5705.28(B)(2)(a).

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Mary Taylor, CPA

Auditor of State

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

Western Guernsey Regional Water District
Guernsey County
61786 Shaw Road
Cambridge, Ohio 43725

To the Board of Trustees:

We have audited the financial statements of the Western Guernsey Regional Water District, Guernsey County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated November 17, 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, and contracts, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2009-001.

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Western Guernsey Regional Water District
Guernsey County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 17, 2010

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

According to Ohio Rev. Code Section 5705.28(B)(2)(b), although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a water district is still required to follow these Ohio Rev. Code Sections: 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the District to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Concerning the prior certification of the availability of funds prior to incurring obligations, Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contract and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificates – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance of the District upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2009-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.28(B)(2)(a) (Continued)

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The District did not comply with the aforementioned budgetary laws for the periods ended December 31, 2009 and 2008. The District did not estimate resources and did not appropriate expenditures; therefore, the District was unable to monitor operations via the control that budgeting provides.

The District’s accounting system did not allow for integration of budget information or encumbrances.

Budgeted amounts of receipts and disbursements integrated into the District’s accounting system would allow for meaningful comparisons between the budgeted and actual figures.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The District should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official’s Response

The District intends to implement procedures to assure compliance with budgetary laws.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	A material citation was issued under Ohio Rev. Code Section 5705.28(B)(2)(a) for not complying with budgetary laws.	No	Not Corrected; Reissued as Finding Number 2009-001.

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Mary Taylor, CPA
Auditor of State

WESTERN GUERNSEY REGIONAL WATER DISTRICT

GUERNSEY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2010**