



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT FAIRFIELD COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Greenfield Township Water and Sewer District, Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Township Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 11, 2012

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

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Greenfield Township Water and Sewer District
Fairfield County
PO Box 172
Carroll, Ohio 43112-0172

To the Board of Trustees:

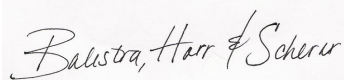
We have audited the accompanying financial statements of the business-type activities of the Greenfield Township Water and Sewer District, Fairfield County, Ohio (the District) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements 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 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 respective financial position of the business-type activities of the Greenfield Township Water and Sewer District, Fairfield County, Ohio, as of December 31, 2011 and 2010 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Balestra, Harr & Scherer, CPAs, Inc.

June 8, 2012

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
(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, 2011 by \$164,187 and on December 31, 2010 by \$160,718. The District's net assets increased by \$3,469 (2.2%) in 2011 and decreased by \$92,676 (36.6%) in 2010.

The District's operating revenues increased by \$53,305 (6.1%) in 2011 and by \$53,838 (6.5%) in 2010. Operating and maintenance expenses (excluding depreciation and amortization expenses) decreased by \$15,172 (2.9%) in 2011 and increased by \$53,341 (11.4%) in 2010. Depreciation and amortization expenses decreased \$1,028 (.4%) in 2011 and remained the same in 2010 as compared to 2009.

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, 2011 and 2010
(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

	2011	2010	Difference	2009	Difference
Current and Other Assets	\$ 599,760	\$ 642,870	\$ (43,110)	\$ 753,231	\$ (110,361)
Capital Assets	3,438,078	3,658,485	(220,407)	3,895,075	(236,590)
Total Assets	4,037,838	4,301,355	(263,517)	4,648,306	(346,951)
Noncurrent Liabilities	3,521,700	3,768,931	(247,231)	4,027,884	(258,953)
Current Liabilities	351,951	371,706	(19,755)	367,028	4,678
Total Liabilities	3,873,651	4,140,637	(266,986)	4,394,912	(254,275)
Net Assets					
Invested in Capital Assets, Net of Related Debt	(330,853)	(369,399)	38,546	(376,273)	6,874
Unrestricted	495,040	530,117	(35,077)	629,667	(99,550)
Total Net Assets	\$ 164,187	\$ 160,718	\$ 3,469	\$ 253,394	\$ (92,676)

The District's net assets increased by \$3,469 (2.2%) in 2011 and decreased by \$92,676 (36.6%) in 2010. The 2011 increase is primarily due to a decrease in notes, loans and water revenue bonds payable, which was partially offset by decreases in capital assets due to depreciation expense and assessment receivables due to principle payments received. The 2010 decrease is primarily due to a decrease in cash and an increase in accumulated depreciation, which was partially offset by a decrease in notes, loans and water revenue bonds payable.

Unrestricted net assets decreased by \$35,077 in 2011 and by \$99,550 in 2010. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Unrestricted cash and cash equivalents decreased by \$5,224 in 2011 and decreased by \$84,699 in 2010. The decrease in unrestricted cash and cash equivalents in 2011 was primarily due to expenses in excess of revenues. The decrease in unrestricted cash and cash equivalents in 2010 was primarily due to expenses in excess of revenues as a result of increases in expenses for operations and testing, repairs and maintenance, utilities, legal fees and engineering fees. The District also had to pay for audit costs which only occur every two years.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
(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>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009</u>	<u>Difference</u>
Operating Revenues	\$ 930,347	\$ 877,042	\$ 53,305	\$ 823,204	\$ 53,838
Total Operating Revenues	930,347	877,042	53,305	823,204	53,838
Operating Expenses (Excluding Depreciation and Amortization)	507,696	522,868	(15,172)	469,527	53,341
Depreciation and Amortization Expenses	236,121	237,149	(1,028)	237,149	-
Total Operating Expenses	743,817	760,017	(16,200)	706,676	53,341
Operating Income	186,530	117,025	69,505	116,528	497
Non-Operating Revenues	47,317	35,681	11,636	75,483	(39,802)
Non-Operating Expenses	230,378	245,382	(15,004)	254,014	(8,632)
Changes in Net Assets	3,469	(92,676)	96,145	(62,003)	(30,673)
Net Assets at Beginning of Year	160,718	253,394	(92,676)	315,397	(62,003)
Net Assets at End of Year	\$ 164,187	\$ 160,718	\$ 3,469	\$ 253,394	\$ (92,676)

Operating revenues increased \$53,305 (6.1 %) in 2011 primarily due to an increase in billing revenues as a result of a 14% sewer rate increase. Non-operating revenues increased \$11,636 (32.6%) in 2011 primarily due to increases in miscellaneous revenue. The increase in miscellaneous revenue is primarily due to reimbursement of an insurance claim from storm damage. Non-operating expenses decreased \$15,004 (6.1%) in 2011 primarily due to a decrease in interest expense as a result of lower balances of notes, loans, and water revenue bonds payable.

Operating revenues increased \$53,838 (6.5%) in 2010 primarily due to an increase in billing revenues as a result of a 3% water rate increase and a 14% sewer rate increase. Non-operating revenues decreased \$39,802 (52.7%) in 2010 primarily due to decreases in inspection fees, tap fees and connection fees revenue, and miscellaneous revenue. The decreases in inspection fees and tap fees and connection fees revenues are due to a decrease in construction. The decrease in miscellaneous revenue is primarily due to reimbursements of closed out OWDA loans in 2009 which did not recur in 2010. Operating expenses increased \$53,341 (7.5%) from 2009 to 2010 primarily due to increases in operations and testing, repairs and maintenance, audit fees, engineering fees, and legal fees. The increase in operations and testing was due to an increase in water testing charges. The increase in repairs and maintenance was due to an increase in repair work performed on manholes. The increase in audit fees relates to the audit which is done every two years. The increase in engineering fees is due to research done for various projects. The increase in legal fees is due to an increase in routine legal work. Non-operating expenses decreased \$8,632 (3.4%) in 2010 primarily due to a decrease in interest expense as a result of lower balances of notes, loans, and water revenue bonds payable.

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Management's Discussion and Analysis
 For the Years Ended December 31, 2011 and 2010
 (Unaudited)

CAPITAL ASSETS

The District had \$6.4 million invested in capital assets (before depreciation) at the end of both 2011 and 2010. During 2011, there were additions of \$15,155 and no disposals. There were no additions or disposals of capital assets during 2010.

Table 3

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009</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	3,061,994	3,046,839	15,155	3,046,839	-
Water Treatment Plant Improvements	1,748,998	1,748,998	-	1,748,998	-
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>6,464,502</u>	<u>6,449,347</u>	<u>15,155</u>	<u>6,449,347</u>	<u>-</u>
Accumulated Depreciation	(3,026,424)	(2,790,862)	(235,562)	(2,554,272)	(236,590)
Net Capital Assets	<u>\$ 3,438,078</u>	<u>\$ 3,658,485</u>	<u>\$ (220,407)</u>	<u>\$ 3,895,075</u>	<u>\$ (236,590)</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, 2011 and 2010
(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

	2011	2010	Difference	2009	Difference
Water Revenue Bonds	\$ 31,886	\$ 87,796	\$ (55,910)	\$ 139,768	\$ (51,972)
Ohio Public Works Commission	99,924	106,585	(6,661)	113,246	(6,661)
Ohio Water Development Authority (O.W.D.A.)	3,637,121	3,833,503	(196,382)	4,018,334	(184,831)
Total Long Term Debt	3,768,931	4,027,884	(258,953)	4,271,348	(243,464)
Less: Current Maturities	247,231	258,960	(11,729)	243,464	15,496
Net Total Long Term Debt	\$ 3,521,700	\$ 3,768,924	\$ (247,224)	\$ 4,027,884	\$ (258,960)

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

CASH

Cash and cash equivalents were approximately \$74 thousand on December 31, 2011 and \$80 thousand on December 31, 2010. \$8,349 of these funds were restricted in both 2011 and 2010, 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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 66,038	\$ 71,262
Intergovernmental receivable	108	119
Accounts receivable	151,624	142,368
TOTAL CURRENT ASSETS	<u>217,770</u>	<u>213,749</u>
NONCURRENT ASSETS		
Restricted Assets:		
Cash in savings - contractor bonds	8,349	8,349
TOTAL RESTRICTED ASSETS	<u>8,349</u>	<u>8,349</u>
Capital Assets:		
Land easements	17,230	17,230
Water tower	52,100	52,100
Building - water plant	20,264	20,264
Water line construction	1,233,481	1,233,481
Sewer line construction	3,061,994	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
	<u>6,464,502</u>	<u>6,449,347</u>
Less: Accumulated depreciation	(3,026,424)	(2,790,862)
Net Capital Assets	<u>3,438,078</u>	<u>3,658,485</u>
Other Assets:		
Prepaid insurance	290	275
Loan fees, net of \$11,397 accumulated amortization (\$10,838 in 2010)	6,199	6,757
Assessment receivables:		
Water	178,174	195,677
Sewer	188,978	218,063
Total Other Assets	<u>373,641</u>	<u>420,772</u>
 TOTAL ASSETS	 <u>\$ 4,037,838</u>	 <u>\$ 4,301,355</u>

(Continued)

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Statements of Net Assets (Continued)
 As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 43,214	\$ 55,724
Customer deposits	52,777	48,077
Contractor bonds payable	8,500	8,500
Notes & loans payable - current portion	215,345	203,043
Water revenue bonds payable - current portion	31,886	55,910
Accrued interest payable	229	452
TOTAL CURRENT LIABILITIES	<u>351,951</u>	<u>371,706</u>
NONCURRENT LIABILITIES		
Notes and loans payable, net of current portion	3,521,700	3,737,045
Water revenue bonds payable, net of current portion	-	31,886
TOTAL NONCURRENT LIABILITIES	<u>3,521,700</u>	<u>3,768,931</u>
TOTAL LIABILITIES	<u>3,873,651</u>	<u>4,140,637</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(330,853)	(369,399)
Unrestricted	495,040	530,117
TOTAL NET ASSETS	<u>\$ 164,187</u>	<u>\$ 160,718</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 Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Billing revenues	\$ 921,372	\$ 863,342
Late charge revenues	8,975	13,700
TOTAL OPERATING REVENUES	<u>930,347</u>	<u>877,042</u>
OPERATING EXPENSES		
Trustee fees	5,775	5,700
Contract labor	3,900	3,889
Operations and testing	83,761	80,665
Lancaster service charge	272,431	268,379
Chemical and operating supplies	17,829	11,765
Sludge hauling	-	1,065
Repairs and maintenance	40,696	51,475
Telephone	4,812	7,107
Utilities	29,912	27,090
Accounting fees	4,465	4,070
Audit fees	-	6,228
Engineering fees	29,575	34,900
Legal fees	4,973	10,234
Office rent	3,900	3,900
Insurance	4,594	4,426
Office supplies	943	1,704
Postage	130	271
Depreciation	235,562	236,590
Amortization	559	559
TOTAL OPERATING EXPENSES	<u>743,817</u>	<u>760,017</u>
OPERATING INCOME	<u>186,530</u>	<u>117,025</u>
NONOPERATING REVENUES (EXPENSES)		
Inspection fees (net of costs)	2,500	-
Interest income	33,038	35,358
Intergovernmental	226	248
Miscellaneous income	11,553	75
Cost of meters	(1,626)	(711)
Interest expense	(228,752)	(244,671)
NET NONOPERATING REVENUES (EXPENSES)	<u>(183,061)</u>	<u>(209,701)</u>
CHANGES IN NET ASSETS	3,469	(92,676)
NET ASSETS, BEGINNING OF YEAR	<u>160,718</u>	<u>253,394</u>
NET ASSETS, END OF YEAR	<u>\$ 164,187</u>	<u>\$ 160,718</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 921,091	\$ 866,044
Cash payments to suppliers for goods and services	(520,221)	(533,027)
Net cash provided by operating activities	<u>400,870</u>	<u>333,017</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase/(Decrease) in customer deposits	4,700	(465)
Miscellaneous income	11,553	75
Net cash provided by (used for) non-capital financing activities	<u>16,253</u>	<u>(390)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Inspection fee	2,500	-
Meter fees net of cost	(1,626)	(711)
OWDA principal payments	(196,382)	(184,831)
OWDA interest payments	(224,612)	(236,533)
Fairfield National Revenue Bond principal payment	(55,910)	(51,972)
Fairfield National Revenue Bond interest payment	(4,364)	(8,332)
OPWC principal payments	(6,661)	(6,661)
Intergovernmental - interest subsidy	237	259
Special assessment collections - County Auditor	46,588	36,097
Special assessment interest income	32,949	35,200
Capital outlay	(15,155)	-
Net cash used by capital and related financing activities	<u>(422,436)</u>	<u>(417,484)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>89</u>	<u>158</u>
Net decrease in cash and cash equivalents	(5,224)	(84,699)
Cash and cash equivalents, beginning of year	<u>79,611</u>	<u>164,310</u>
Cash and cash equivalents, end of year	<u>\$ 74,387</u>	<u>\$ 79,611</u>

(Continued)

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Statements of Cash Flows (Continued)
 For the Years Ended December 31, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 186,530	\$ 117,025
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	236,121	237,149
Changes in assets and liabilities:		
(Increase) in accounts receivable	(9,256)	(10,998)
(Increase)/Decrease in prepaids	(15)	(6)
Increase/(Decrease) in accounts payable	(12,510)	(10,153)
Total adjustments	214,340	215,992
Net cash provided by operating activities	\$ 400,870	\$ 333,017

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, 2011 and 2010

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, 2011 and 2010.

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.

- 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, 2011 and 2010 was \$559 and \$559, 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Notes to the Basic Financial Statements
 For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010 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, 2011 and 2010:

	2011	2010
Current receivables (0-30 days)	\$ 133,384	\$ 125,284
Delinquent receivables (over 30 days)	18,240	17,084
Total accounts receivables	\$ 151,624	\$ 142,368

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 \$178,174 and \$188,978, respectively, as of December 31, 2011 (\$195,677 and \$218,063 respectively, as of December 31, 2010). 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, 2011 and 2010

NOTE E – CURRENT AND LONG-TERM DEBT

Current and long-term debt at December 31, 2011 and 2010 are as follows:

	<u>Interest Rate</u>	<u>First Payment</u>	<u>Contract Term</u>	<u>12/31/11</u>	<u>12/31/10</u>
Notes payable to OWDA:					
Construction loan 1606	7.24%	1/1/1994	25 yrs.	\$ 42,166	\$ 47,124
Construction loan 1607	7.24%	1/1/1994	25 yrs.	42,166	47,124
Construction loan 2938	6.58%	7/1/1996	25 yrs.	116,939	126,259
Construction loan 2966	6.72%	1/1/1997	25 yrs.	586,760	630,024
Construction loan 2967	6.72%	1/1/1997	25 yrs.	871,037	935,257
Construction loan 2968	6.32%	1/1/1998	24 yrs.	42,947	46,182
Construction loan 3193	6.13%	1/1/2002	25 yrs.	876,095	912,762
Construction loan 4114	3.98%	7/1/2006	25 yrs.	142,144	147,072
Construction loan 4115	3.98%	7/1/2006	25 yrs.	394,580	408,263
Construction loan 4472	4.49%	7/1/2007	30 yrs.	522,287	533,436
				<u>3,637,121</u>	<u>3,833,503</u>
Other loans and bonds:					
Ohio Public Works Commission Loan	0.00%	1/1/2027	20 yrs.	99,924	106,585
Fairfield National Bank Bonds	7.325%	9/12/2002	10 yrs.	31,886	87,796
				<u>31,886</u>	<u>87,796</u>
Total debt				<u>\$ 3,768,931</u>	<u>\$ 4,027,884</u>

Long-term debt additions and reductions for the years ended December 31, 2011 and 2010 are as follows:

	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 3,833,503	\$ -	\$ 196,382	\$ 3,637,121	\$ 208,684
Ohio Public Works Commission	106,585	-	6,661	99,924	6,661
Fairfield National Bank	87,796	-	55,910	31,886	31,886
	<u>\$ 4,027,884</u>	<u>\$ -</u>	<u>\$ 258,953</u>	<u>\$ 3,768,931</u>	<u>\$ 247,231</u>
	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 4,018,334	\$ -	\$ 184,831	\$ 3,833,503	\$ 196,382
Ohio Public Works Commission	113,246	-	6,661	106,585	6,661
Fairfield National Bank	139,768	-	51,972	87,796	55,910
	<u>\$ 4,271,348</u>	<u>\$ -</u>	<u>\$ 243,464</u>	<u>\$ 4,027,884</u>	<u>\$ 258,953</u>

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

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
2012	\$ 208,684	\$ 212,087	\$ 420,771	\$ 31,886	\$ 733	\$ 32,619	\$ 6,661
2013	221,765	199,006	420,771	-	-	-	6,661
2014	235,683	185,088	420,771	-	-	-	6,661
2015	250,491	170,279	420,770	-	-	-	6,661
2016	266,249	154,522	420,771	-	-	-	6,661
2017-2021	1,414,083	504,140	1,918,223	-	-	-	33,310
2022-2026	612,337	179,493	791,830	-	-	-	33,309
2027-2031	272,732	64,272	337,004	-	-	-	-
2032-2036	155,097	19,788	174,885	-	-	-	-
Total	<u>\$ 3,637,121</u>	<u>\$ 1,688,675</u>	<u>\$ 5,325,796</u>	<u>\$ 31,886</u>	<u>\$ 733</u>	<u>\$ 32,619</u>	<u>\$ 99,924</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 \$5,358,415 at December 31, 2011 and \$5,839,665 at December 31, 2010. For the year ended December 31, 2011, net revenue available, principal and interest paid and the coverage ratio is as follows: \$422,117, \$481,044, and 0.88 respectively. For the year ended December 31, 2010, net revenue available, principal and interest paid and the coverage ratio is as follows: \$353,615, \$481,474, and 0.73, respectively.

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, 2011 and 2010

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, 2011, the District's bank balance of \$81,011 is covered by FDIC. As of December 31, 2010, the District's bank balance of \$79,711 is covered by FDIC.

Investments – The District did not have any investments during 2011 and 2010.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE G – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011 was as follows:

	Ending Balance 12/31/10	Additions	Deletions	Ending Balance 12/31/11
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	15,155	-	3,061,994
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	15,155	-	6,447,272
Less Accumulated Depreciation:				
Water Tower	(36,254)	(1,971)	-	(38,225)
Building - Water Plant	(14,132)	(762)	-	(14,894)
Water Line Construction	(588,935)	(43,726)	-	(632,661)
Sewer Line Construction	(1,390,155)	(112,232)	-	(1,502,387)
Water Treatment Plant Improvements	(595,110)	(70,599)	-	(665,709)
Water Planning	(37,035)	(2,547)	-	(39,582)
Sewer Planning	(38,997)	(2,697)	-	(41,694)
General Equipment	(90,244)	(1,028)	-	(91,272)
Total Accumulated Depreciation	(2,790,862)	(235,562)	-	(3,026,424)
Total Capital Assets Being Depreciated, Net	3,641,255	(220,407)	-	3,420,848
Total Capital Assets, Net	\$ 3,658,485	\$ (220,407)	\$ -	\$ 3,438,078

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

NOTE G – CAPITAL ASSETS – Continued

Capital assets activity for the year ended December 31, 2010 was as follows:

	Ending Balance 12/31/09	Additions	Deletions	Ending Balance 12/31/10
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	(34,283)	(1,971)	-	(36,254)
Building - Water Plant	(13,370)	(762)	-	(14,132)
Water Line Construction	(545,209)	(43,726)	-	(588,935)
Sewer Line Construction	(1,277,923)	(112,232)	-	(1,390,155)
Water Treatment Plant Improvements	(524,511)	(70,599)	-	(595,110)
Water Planning	(34,488)	(2,547)	-	(37,035)
Sewer Planning	(36,300)	(2,697)	-	(38,997)
General Equipment	(88,188)	(2,056)	-	(90,244)
Total Accumulated Depreciation	(2,554,272)	(236,590)	-	(2,790,862)
Total Capital Assets Being Depreciated, Net	3,877,845	(236,590)	-	3,641,255
Total Capital Assets, Net	\$ 3,895,075	\$ (236,590)	\$ -	\$ 3,658,485

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, 2011 and 2010, there were no contingent liabilities or pending litigation for the District that management believes is material to the basic financial statements.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Greenfield Township Water and Sewer District
Fairfield County
PO Box 172
Carroll, Ohio 43112-0172

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the Greenfield Township Water and Sewer District, Fairfield County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 Township Water and Sewer District
Fairfield County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

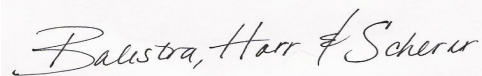
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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 8, 2012.

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.



Balestra, Harr & Scherer, CPAs, Inc.
June 8, 2012



Dave Yost • Auditor of State

GREENFIELD TOWNSHIP 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
OCTOBER 04, 2012**