



Dave Yost • Auditor of State

**SOUTHINGTON WATER DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 31, 2011, 2010 and 2009	5
Notes to the Financial Statements	6
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

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Dave Yost • Auditor of State

Southington Water District
Trumbull County
P.O. Box 266
Southington, Ohio 44470

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

May 21, 2012

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Dave Yost • Auditor of State

Southington Water District
Trumbull County
P.O. Box 266
Southington, Ohio 44470

To the Board of Trustees:

We have audited the accompanying financial statements of the Southington Water District, Trumbull County, (the District) as of and for the years ended December 31, 2011, 2010 and 2009. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2011, 2010 and 2009, or its changes in financial position or cash flows, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011, 2010 and 2009 of the Southington Water District, Trumbull County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 21, 2012

**SOUTHINGTON WATER DISTRICT
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 AND 2009**

	2009	2010	2011
Operating Cash Disbursements:			
Other Contractual Services	3,392	4,003	1,926
Office Supplies and Materials	245	818	263
Insurance	310	100	190
Capital Outlay			3,998
	<u>3,947</u>	<u>4,921</u>	<u>6,377</u>
Total Operating Cash Disbursements			
	<u>3,947</u>	<u>4,921</u>	<u>6,377</u>
Operating Income/(Loss)	<u>(3,947)</u>	<u>(4,921)</u>	<u>(6,377)</u>
Non-Operating Cash Receipts:			
Proceeds from Receipt of Loan:			
Loan from Southington Township	10,000	19,500	12,000
Other Non-Operating Revenues			57
	<u>10,000</u>	<u>19,500</u>	<u>12,057</u>
Total Non-Operating Cash Receipts			
	<u>10,000</u>	<u>19,500</u>	<u>12,057</u>
Net Receipts Over/(Under) Disbursements	<u>6,053</u>	<u>14,579</u>	<u>5,680</u>
Cash Balances, January 1	<u>0</u>	<u>6,053</u>	<u>20,632</u>
Cash Balances, December 31	<u>\$6,053</u>	<u>\$20,632</u>	<u>\$26,312</u>

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

**SOUTHINGTON WATER DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Southington Water District, Trumbull County, (the District) as a body corporate and politic under Ohio Revised Code Section 6119. The District was established on June 4, 2009. There is only one political subdivision within the District and it is Southington Township. The Southington Township Trustees appointed three members to the District Board of Trustees to direct the District. The Board members serve staggered terms in which at least one Trustees' term expires each year. At the present time, the District does not provide water and sewer services to residents of the District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values its demand deposits at cost.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its fund into the following type:

1. Enterprise Fund

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following significant Enterprise Fund:

Water Operating Fund - This fund serves as the general operating fund. During our period this fund received loan proceeds to begin working toward creating infrastructure so the District can provide water services to its customer base.

**SOUTHINGTON WATER DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011, 2010 and 2009 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District maintains a demand deposit for use for its fund.

The carrying amount of deposits at December 31 was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Demand deposits	\$ 26,312	\$ 20,632	\$ 6,053

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**SOUTHINGTON WATER DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2011 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$12,057	\$12,057

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$6,377	(\$6,377)

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$19,500	\$19,500

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$4,920	(\$4,920)

2009 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
	\$10,000	\$10,000

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
	\$3,947	(\$3,947)

**SOUTHINGTON WATER DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009
(Continued)**

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan From Southington Township	<u>\$41,500</u>	0%
Total	<u><u>\$41,500</u></u>	

On January 2, 2009, the Board of Trustees of Southington Township passed Resolution 09-45 authorizing a loan to the Southington Water District in the amount of \$1,000 per month. The Resolution does not provide for a payment plan and does not contain an interest rate or a schedule of repayment. Therefore, an amortization schedule has not been disclosed. The proceeds of the loan are being used to begin working toward creating infrastructure so the District can provide water services to its potential customer base.

5. RETIREMENT SYSTEMS

The District's only employees are the three Board Members. The members of the Board do not receive compensation at the present time so they are not required to apply for and belong to the Ohio Public Employees Retirement System (OPERS).

6. RISK MANAGEMENT

At the present time the District has no infrastructure or assets. The District uses the facilities of Southington Township so the Board can meet in meetings. The insurance maintained by the Board is limited to surety bonds in the amount of \$5,000 for each of the three Board members.

The District is uninsured for the following risks:

- General liability;
- Errors and omissions.

There were no uninsured losses during the period.

7. SUBSEQUENT EVENTS

The only assets purchased during the period were two water tanks. Subsequent to the periods ending, the Board has sold those assets.

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Dave Yost • Auditor of State

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

Southington Water District
Trumbull County
P.O. Box 266
Southington, Ohio 44470

To the Board of Trustees:

We have audited the financial statements of Southington Water District (the District) as of and for the years ended December 31, 2011, 2010 and 2009, and have issued our report thereon dated May 21, 2012, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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Dave Yost
Auditor of State

May 21, 2012



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SOUTHINGTON WATER DISTRICT

TRUMBULL 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
JUNE 19, 2012**