



Dave Yost • Auditor of State

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Switzerland of Ohio Water District
Monroe County
P.O. Box 26
Jerusalem, Ohio 43747

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of the Switzerland of Ohio Water District, Monroe County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permits; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the District prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2013 and 2012, or the changes in financial position or cash flows, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of the Switzerland of Ohio Water District, Monroe County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 31, 2014

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating Cash Receipts		
Charges for Services	\$552,621	\$545,816
Miscellaneous	21,626	17,061
	574,247	562,877
<i>Total Operating Cash Receipts</i>		
Operating Cash Disbursements		
Salaries and Benefits	129,595	151,447
Purchased and Contracted Services	274,061	300,003
Office Supplies and Materials	14,551	13,394
Repairs and Maintenance	52,689	54,698
Workers Compensation	2,099	2,188
Testing and Licenses	2,712	2,368
Insurance	7,081	6,675
Utilities	9,608	9,526
Miscellaneous	2,936	3,508
	495,332	543,807
<i>Total Operating Cash Disbursements</i>		
<i>Operating Income</i>	78,915	19,070
Non-Operating Receipts (Disbursements)		
Earnings on Investments	492	351
Principal Retirement	(15,947)	(15,347)
Interest and Other Fiscal Charges	(15,225)	(15,900)
	(30,680)	(30,896)
<i>Total Non-Operating Receipts (Disbursements)</i>		
<i>Income (Loss) before Transfers and Advances</i>	48,235	(11,826)
Transfers In	29,400	39,500
Transfers Out	(29,400)	(39,500)
	48,235	(11,826)
<i>Net Change in Fund Cash Balances</i>		
<i>Fund Cash Balances, January 1</i>	252,386	264,212
<i>Fund Cash Balances, December 31</i>	\$300,621	\$252,386

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

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**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013 AND 2012**

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 Switzerland of Ohio Water District, Monroe County, Ohio (the District) as a body corporate and politic. Each Board member is appointed by the Monroe County Common Pleas Court Judge. There are 5 Board members. The District provides water services to residents of the District.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Accounting Basis

This financial statement follows 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.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The District values certificates of deposit at cost.

D. Fund Accounting

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

Enterprise Funds

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 Funds:

Operation and Maintenance Fund - This fund receives charges for services from residents to cover water service costs.

First Investment Fund - This fund receives transfers from the Operation and Maintenance Fund to fund future expansion projects and retire outstanding debt issues.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. 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. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). 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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

The District may invest in certificates of deposits, 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.

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$232,581	\$184,346
Certificates of deposit	68,040	68,040
Total deposits	<u>\$300,621</u>	<u>\$252,386</u>

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013 AND 2012
(Continued)**

2. EQUITY IN POOLED DEPOSITS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$569,000	\$604,139	\$35,139

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$566,667	\$555,904	\$10,763

2012 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$556,400	\$602,728	\$46,328

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$592,750	\$614,554	(\$21,804)

4. DEBT

Debt outstanding at December 31, 2013, was as follows:

	Principal	Interest Rate
FHA Loan # 91-04	\$290,400	5%
Ohio Public Works Commission Loan	48,028	0%
Total	\$338,428	

The District borrowed funds from the Farmers Home Administration (FHA) in March 1989 for the original water system and waterline expansion. These loans are collateralized solely by the future revenues from the District's water operations.

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013 AND 2012
(Continued)**

4. DEBT (Continued)

The District entered into an interest-free Ohio Public Works Commission (OPWC) loan for water system and waterline expansion projects. This loan will be paid with future revenues from the District's water operations.

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

Year ending December 31:	FHA Loan #	
	91-04	OPWC Loan
2014	\$29,320	\$1,847
2015	29,380	1,847
2016	29,300	1,847
2017	29,385	1,847
2018	29,325	1,847
2019-2023	146,775	9,236
2024-2028	117,205	9,236
2029-2033		9,236
2034-2038		9,236
2039-2043		1,849
Total	<u>\$410,690</u>	<u>\$48,028</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2013.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



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

Switzerland of Ohio Water District
Monroe County
P.O. Box 26
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of Switzerland of Ohio Water District, Monroe County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statement and have issued our report thereon dated October 31, 2014, wherein we noted the District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

October 31, 2014



Dave Yost • Auditor of State

SWITZERLAND OF OHIO WATER DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 25, 2014**