



OHIO AUDITOR OF STATE
KEITH FABER



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Swanecreek Water District
Fulton County
5565 County Road D
Delta, Ohio 43515

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Swanecreek Water District, Fulton County, Ohio (the District), on the receipts, disbursements and balances recorded in the Districts cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the District. The District is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2018 and 2017 and certain compliance requirements related to these transactions and balances included in the information provided to us by the District. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We recalculated the December 31, 2018 and December 31, 2017 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2017 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2016 balances in the prior year documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2018 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2017 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2018 and 2017 fund cash balances reported in the Fund Status Report. The amounts agreed.
4. We confirmed the December 31, 2018 bank account balances with the District's financial institutions, and we also observed the year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2018 bank reconciliation without exception.
5. We selected all two reconciling debits (such as outstanding checks) from the December 31, 2018 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.

6. We inspected investments held at December 31, 2017 and December 31, 2018 to determine that they were of a type authorized by Ohio Rev. Code Section 6119.16. We found no exceptions.

Intergovernmental and Other Confirmable Cash Receipts

We confirmed the amounts paid from Fulton County to the District during 2018 and 2017. We found no exceptions.

- a. We inspected the Receipt Register Report to determine whether these receipts were allocated to the proper funds. We found no exceptions.
- b. We inspected the Receipt Register Report to determine whether the receipts were recorded in the proper year. We found no exceptions.

Charges for Services

1. We selected a sample (agreed upon) of 10 water collection cash receipts from the year ended December 31, 2018 and 10 water collection cash receipts from the year ended December 31, 2017 recorded in the Receipt Register Report and:
 - a. Agreed the receipt amount per the Receipt Register Report to the amount recorded to the customer's account in the Customer Billing Report. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Payment Listing Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found one exception where the recalculated rate charged on a bill did not comply with rates in force during the audit period. Because we did not inspect all water collection cash receipts, our report provides no assurance whether or not additional similar errors occurred. We recommend management review the bills prior to being sent out to ensure proper rates are being charged.
 - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We inspected the Past Due Balance Report.
 - a. This report listed \$124 and \$13,468 of accounts receivable as of November 30, 2018 and December 8, 2017, respectively.
 - b. Of the total receivables reported in procedure 2a, \$0 and \$13,168 were recorded as more than 90 days delinquent as of November 30, 2018 and December 8, 2017, respectively.
3. We inspected the Adjustment Report.
 - a. This report listed a total of \$23,247 and \$1,511 non-cash receipts adjustments for the years ended December 31, 2018 and 2017, respectively.
 - b. We selected a sample (agreed upon) of five non-cash adjustments from 2018 and five non-cash adjustments from 2017, and noted that the Board of Trustees only approved two out of the 10 adjustments. Because we did not inspect all non-cash adjustments, our report provides no assurance whether or not additional similar errors occurred. The failure to have someone independent of the billing and collection process approve all adjustments increases the risk of errors and/or irregularities. We recommend all adjustments be approved by the Board of Trustees.

Debt

1. From the prior agreed-upon procedures documentation, we observed the following loans were outstanding as of December 31, 2016. These amounts agreed to the District's January 1, 2017 balances on the summary we used in procedure 3.

Issue	Principal outstanding as of December 31, 2016:
Waterline Construction – OWDA Loan	\$90,270
Phase V Water Mains – OWDA Loan	231,869
Water System Expansion – OWDA Loan	2,002,677
Lee High Dr. Water Main Extension – OWDA Loan	106,851
Fulton County Commissioners – Road 3 / NEFC - Loan	183,704

2. We inquired of management, and inspected the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2018 or 2017 or debt payment activity during 2018 or 2017. All debt agreed to the summary we used in procedure 3.
3. We obtained a summary of loan debt activity for 2018 and 2017 and agreed principal and interest payments from the related debt amortization schedules to the Water fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the District made the payments. The District recorded \$1,373 of capitalized interest accrued by OWDA and also posted the same amount to loan proceeds. No corrections were required to correct fund balances for this item as both receipts and disbursements were recorded and had no effect on ending fund balances. The District should only record cash basis transactions regarding its loans from OWDA.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Road 3 and EF West Project fund per the Receipt Register Report. The amounts agreed.
5. For new debt issued during 2018 and 2017, we inspected the debt legislation, which stated the District must use the proceeds to construct a water main extension. We inspected the Payment Register Detail Report and observed the District constructed a water main in 2018.

Payroll Cash Disbursements

1. We selected one payroll check for five employees from 2018 and one payroll check for five employees from 2017 from the Employee Detail Adjustment Report and:
 - a. We compared the hours and pay rate, or salary amount recorded in the Employee Detail Adjustment Report to supporting documentation (timecard, or legislatively approved rate or salary). We found no exceptions.
 - b. We inspected the Employee Detail Adjustment Report to confirm whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files and/or minute record. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2018 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2018. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes and Medicare	January 31, 2019	January 8, 2019	\$1,370.81	\$1,370.81
State income taxes	January 15, 2019	January 9, 2019	210.99	210.99
Local income tax	January 31, 2019	January 9, 2019	84.28	84.28
OPERS retirement	January 30, 2019	January 8, 2019	839.19	839.19

Non-Payroll Cash Disbursements

We selected a sample (agreed upon) of 10 disbursements from the Payment Register Detail Report for the year ended December 31, 2018 and 10 from the year ended December 31, 2017 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices, or the amount and payee agree to the bank statement if the payment was made by Electronic Fund Transfer (EFT). We found no exceptions.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from Resolutions 2017-50 and 2018-73, required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General Water Operating, Phase V Assessments, and Road 2 Construction funds for the years ended December 31, 2018 and 2017. The amounts agreed.
2. We inspected the appropriation measures adopted for 2018 and 2017 to determine whether, for the General Water Operating, Phase V Assessments, and Road 2 Construction funds the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.28(B)(2), 5705.38, and 5705.40, to the amounts recorded in the Appropriation Status Report for 2018 and 2017 for the following funds: General Water Operating, Phase V Assessments, and Road 2 Construction. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
4. Ohio Rev. Code Section 5705.28(B)(2)(c) prohibits appropriations from exceeding the estimated revenue available for expenditure (receipts plus beginning unencumbered cash). We compared total appropriations to total estimated revenue for the General Water Operating, Phase V Assessments, and Road 2 Construction funds for the years ended December 31, 2018 and 2017. Appropriations did not exceed estimated revenue.

5. Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2018 and 2017 for the General Water Operating Phase V Assessments, and Road 2 Construction funds, as recorded in the Appropriation Status Report. Expenditures did not exceed appropriations.
6. We inspected the Cash Summary by Fund Report for the years ended December 31, 2018 and 2017 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. There were no funds having negative cash fund balances.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires these district's to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies regarding the filing of complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System. We confirmed the District filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the years ended December 31, 2018 and 2017 in the Hinkle system. There were no exceptions.
2. For all credit card accounts we obtained:
 - copies of existing internal control policies,
 - a list(s) of authorized users, and
 - a list of all credit card account transactions.
 - a. We inspected the established policy obtained above and determined it is:
 - i. in compliance with the HB 312 statutory requirements, and
 - ii. implemented by the entity.We found no exceptions.
 - b. We selected 3 credit card transactions for testing. For selected transactions we inspected documentation to determine that:
 - i. Use was by an authorized user within the guidelines established in the policy, and
 - ii. Each transaction was supported with original invoices and for a proper public purpose.We found no exceptions.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Swan Creek Water District
Fulton County
Independent Accountants' Report on
Applying Agreed-Upon Procedures
Page 6

This report is to provide assistance in the evaluation of the District's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2018 and 2017, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.

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

Keith Faber
Auditor of State

Columbus, Ohio

September 17, 2019

OHIO AUDITOR OF STATE KEITH FABER



SAWNCREEK WATER DISTRICT

FULTON 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 8, 2019**