



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, 2013 and 2012
Fiscal Years Audited Under GAGAS: 2013 and 2012



Dave Yost • Auditor of State

Board of Trustees
Greenfield Township Water and Sewer District
PO Box 172
Carroll, Ohio 43112-0172

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, 2012 through December 31, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 19, 2014

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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:

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Greenfield Township Water and Sewer District, Fairfield County, Ohio, as of December 31, 2013 and 2012, and the changes in financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statements, during the year ended December 31, 2012, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
May 9, 2014

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
(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, 2013 by \$447,644 and on December 31, 2012 by \$292,782. The District's net position increased by \$154,862 (52.9%) in 2013 and increased by \$134,794 (85.3%) in 2012.

The District's operating revenues increased by \$69,072 (6.9%) in 2013 and by \$66,289 (7.1%) in 2012. Operating and maintenance expenses (excluding depreciation expense) increased by \$58,504 (13.3%) in 2013 and decreased by \$67,016 (-13.2%) in 2012. Depreciation expense increased \$690 (.3%) in 2013 and increased \$1,138 (.5%) in 2012.

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 Position** include 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 position is the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Position** 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, 2013 and 2012
(Unaudited)

STATEMENTS OF NET POSITION

Table 1 summarizes the Statements of Net Position of the District. Capital assets are reported less accumulated depreciation. "Net Investment in Capital Assets", are capital assets less outstanding debt that was used to acquire those assets.

Table 1

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>2011*</u>	<u>Difference</u>
Current and Other Assets	\$ 858,945	\$ 716,043	\$ 142,902	\$ 593,561	\$ 122,482
Capital Assets, Net	2,976,224	3,206,714	(230,490)	3,438,078	(231,364)
Total Assets	3,835,169	3,922,757	(87,588)	4,031,639	(108,882)
Noncurrent Liabilities	3,050,929	3,293,274	(242,345)	3,521,700	(228,426)
Current Liabilities	336,596	336,701	(105)	351,951	(15,250)
Total Liabilities	3,387,525	3,629,975	(242,450)	3,873,651	(243,676)
Net Position					
Net Investment in Capital Assets	(317,050)	(314,986)	(2,064)	(330,853)	15,867
Unrestricted	764,694	607,768	156,926	488,841	118,927
Total Net Position	\$ 447,644	\$ 292,782	\$ 154,862	\$ 157,988	\$ 134,794

*As restated, see Footnote J

The District's net position increased by \$154,862 (52.9%) in 2013 and increased by \$134,794 (85.3%) in 2012. The 2013 increase is primarily due to a decrease in notes payable for the OWDA loans which was partially offset by a decrease in assessment receivables. The 2012 increase is primarily due to an increase in billing revenues and an overall decrease in operating expenses.

Unrestricted net position increased by \$156,926 in 2013 and increased by \$118,927 in 2012. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Unrestricted cash and cash equivalents increased by \$152,231 in 2013 and increased by \$168,836 in 2012. The increase in unrestricted cash and cash equivalents in 2013 and 2012, was due to revenues exceeding expenses.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
(Unaudited)

STATEMENTS OF CHANGES IN NET POSITION

Table 2 below summarizes the changes in revenues and expenses and the resulting change in net position.

Table 2

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>2011*</u>	<u>Difference</u>
Operating Revenues	\$ 1,065,708	\$ 996,636	\$ 69,072	\$ 930,347	\$ 66,289
Total Operating Revenues	1,065,708	996,636	69,072	930,347	66,289
Operating Expenses (Excluding Depreciation)	499,184	440,680	58,504	507,696	(67,016)
Depreciation Expense	237,390	236,700	690	235,562	1,138
Total Operating Expenses	736,574	677,380	59,194	743,258	(65,878)
Operating Income	329,134	319,256	9,878	187,089	132,167
Non-Operating Revenues	27,552	31,132	(3,580)	47,317	(16,185)
Non-Operating Expenses	201,824	215,594	(13,770)	230,378	(14,784)
Changes in Net Position	154,862	134,794	20,068	4,028	130,766
Net Position at Beginning of Year	292,782	157,988	134,794	153,960	4,028
Net Position at End of Year	\$ 447,644	\$ 292,782	\$ 154,862	\$ 157,988	\$ 134,794

*As restated, see Footnote J

Operating revenues increased \$69,072 (6.9%) in 2013 primarily due to an increase in sewer billing and late charge revenues. Non-operating revenues decreased \$3,580 (-11.5%) in 2013 primarily due to decreases in interest revenue. Operating expenses increased by \$59,194 (8.7%) in 2013 primarily due to increased maintenance and repairs for both the water and sewer operations. Non-operating expenses decreased \$13,770 (-6.4%) in 2013 primarily due to a decrease in interest expense as a result of lower debt balances.

Operating revenues increased \$66,289 (7.1%) in 2012 primarily due to an increase in sewer billing revenues. Non-operating revenues decreased \$16,185 (-34.2%) in 2012 primarily due to decreases in miscellaneous revenue. Non-operating expenses decreased \$14,784 (-6.4%) in 2012 primarily due to a decrease in interest expense as a result of lower debt balances.

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Management's Discussion and Analysis
 For the Years Ended December 31, 2013 and 2012
 (Unaudited)

CAPITAL ASSETS

The District had \$6.5 million invested in capital assets (before depreciation) at the end of both 2013 and 2012. During 2013, there were additions of \$6,900 and no disposals. During 2012, there were additions of \$5,336 and no disposals.

Table 3

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>2011</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	3,061,994	-	3,061,994	-
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	103,509	96,609	6,900	91,273	5,336
Totals Before Accumulated Depreciation	<u>6,476,738</u>	<u>6,469,838</u>	<u>6,900</u>	<u>6,464,502</u>	<u>5,336</u>
Accumulated Depreciation	(3,500,514)	(3,263,124)	(237,390)	(3,026,424)	(236,700)
Net Capital Assets	<u>\$ 2,976,224</u>	<u>\$ 3,206,714</u>	<u>\$ (230,490)</u>	<u>\$ 3,438,078</u>	<u>\$ (231,364)</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, 2013 and 2012
(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

	2013	2012	Difference	2011	Difference
Water Revenue Bonds	\$ -	\$ -	\$ -	\$ 31,886	\$ (31,886)
Ohio Public Works Commission	86,601	93,263	(6,662)	99,924	(6,661)
Ohio Water Development Authority (O.W.D.A.)	3,206,673	3,428,437	(221,764)	3,637,121	(208,684)
Total Long Term Debt	3,293,274	3,521,700	(228,426)	3,768,931	(247,231)
Less: Current Maturities	242,345	228,426	13,919	247,231	(18,805)
Net Total Long Term Debt	\$ 3,050,929	\$ 3,293,274	\$ (242,345)	\$ 3,521,700	\$ (228,426)

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

CASH

Cash and cash equivalents were approximately \$395 thousand on December 31, 2013 and \$243 thousand on December 31, 2012. Of these funds, \$8,349 was restricted in both 2013 and 2012 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 Position
As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 387,105	\$ 234,874
Intergovernmental receivable	83	97
Accounts receivable	191,950	150,473
TOTAL CURRENT ASSETS	<u>579,138</u>	<u>385,444</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	3,061,994
Water treatment plant improvements	1,748,998	1,748,998
Water planning	104,789	104,789
Sewer planning	134,373	134,373
General equipment	103,509	96,609
	<u>6,476,738</u>	<u>6,469,838</u>
Less: Accumulated depreciation	(3,500,514)	(3,263,124)
Net Capital Assets	<u>2,976,224</u>	<u>3,206,714</u>
Other Assets:		
Prepaid insurance	327	5,505
Assessment receivables:		
Water	140,657	159,004
Sewer	130,474	157,741
Total Other Assets	<u>271,458</u>	<u>322,250</u>
 TOTAL ASSETS	 <u>\$ 3,835,169</u>	 <u>\$ 3,922,757</u>

(Continued)

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Statements of Net Position (Continued)
 As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 24,753	\$ 42,008
Customer deposits	60,916	57,672
Contractor bonds payable	8,500	8,500
Notes & loans payable - current portion	242,345	228,426
Accrued interest payable	82	95
TOTAL CURRENT LIABILITIES	<u>336,596</u>	<u>336,701</u>
NONCURRENT LIABILITIES		
Notes and loans payable, net of current portion	<u>3,050,929</u>	<u>3,293,274</u>
TOTAL NONCURRENT LIABILITIES	<u>3,050,929</u>	<u>3,293,274</u>
TOTAL LIABILITIES	<u>3,387,525</u>	<u>3,629,975</u>
NET POSITION		
Net Investment in Capital Assets	(317,050)	(314,986)
Unrestricted	<u>764,694</u>	<u>607,768</u>
TOTAL NET POSITION	<u>\$ 447,644</u>	<u>\$ 292,782</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 Position
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Billing revenues	\$ 1,050,203	\$ 985,401
Late charge revenues	15,505	11,235
TOTAL OPERATING REVENUES	<u>1,065,708</u>	<u>996,636</u>
OPERATING EXPENSES		
Trustee fees	6,000	4,425
Contract labor	4,225	5,100
Operations and testing	85,441	79,267
Lancaster service charge	236,115	234,552
Chemical and operating supplies	16,625	15,260
Repairs and maintenance	77,849	19,675
Telephone	4,424	4,790
Utilities	29,727	26,672
Accounting fees	3,930	4,990
Audit fees	-	6,000
Engineering fees	20,958	20,701
Legal fees	4,252	7,907
Office rent	3,575	3,900
Insurance	5,179	7,335
Office supplies	840	62
Postage	44	44
Depreciation	237,390	236,700
TOTAL OPERATING EXPENSES	<u>736,574</u>	<u>677,380</u>
OPERATING INCOME	<u>329,134</u>	<u>319,256</u>
NONOPERATING REVENUES (EXPENSES)		
Inspection fees (net of costs)	350	300
Tap fees and connection fees revenue	-	125
Interest income	26,615	29,932
Intergovernmental	272	310
Meter fees	-	150
Miscellaneous income	315	315
Cost of meters	(2,723)	(126)
Interest expense	(199,101)	(215,468)
NET NONOPERATING REVENUES (EXPENSES)	<u>(174,272)</u>	<u>(184,462)</u>
CHANGES IN NET POSITION	154,862	134,794
NET POSITION, BEGINNING OF YEAR - AS RESTATED	<u>292,782</u>	<u>157,988</u>
NET POSITION, END OF YEAR	<u>\$ 447,644</u>	<u>\$ 292,782</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,024,231	\$ 997,787
Cash payments to suppliers for goods and services	(511,261)	(447,101)
Net cash provided by operating activities	<u>512,970</u>	<u>550,686</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in customer deposits	3,244	4,895
Miscellaneous income	315	315
Net cash provided by non-capital financing activities	<u>3,559</u>	<u>5,210</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	-	125
Inspection fee	350	300
Meter fees net of cost	(2,723)	24
OWDA principal payments	(221,764)	(208,684)
OWDA interest payments	(199,114)	(214,869)
Fairfield National Revenue Bond principal payment	-	(31,886)
Fairfield National Revenue Bond interest payment	-	(733)
OPWC principal payments	(6,662)	(6,661)
Intergovernmental - interest subsidy	286	321
Special assessment collections - County Auditor	45,614	50,407
Special assessment interest income	26,523	29,824
Capital outlay	(6,900)	(5,336)
Net cash used by capital and related financing activities	<u>(364,390)</u>	<u>(387,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	92	108
Net increase in cash and cash equivalents	152,231	168,836
Cash and cash equivalents, beginning of year	<u>243,223</u>	<u>74,387</u>
Cash and cash equivalents, end of year	<u>\$ 395,454</u>	<u>\$ 243,223</u>

(Continued)

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 329,134	\$ 319,256
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	237,390	236,700
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(41,477)	1,151
(Increase)/Decrease in prepaids	5,178	(5,215)
Increase/(Decrease) in accounts payable	(17,255)	(1,206)
Total adjustments	183,836	231,430
Net cash provided by operating activities	\$ 512,970	\$ 550,686

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

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. 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 position, 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 an annual appropriation resolution for the year ended December 31, 2013. The District inadvertently failed to adopt a budget and annual appropriations for the year ended December 31, 2012.

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 position. 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 position.

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. Income Tax

The District operates as a public water/sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

10. 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.

11. 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.

12. Interest Income

Interest income represents earnings from the checking account and assessment receivables.

13. 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.

14. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists 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 position is 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 net position and unrestricted net position are available.

15. 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.

Greenfield Township Water & Sewer District
 Fairfield County, Ohio
 Notes to the Basic Financial Statements
 For the Years Ended December 31, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

16. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2013 and 2012 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, 2013 and 2012:

	2013	2012
Current receivables (0-30 days)	\$ 161,842	\$ 132,417
Delinquent receivables (over 30 days)	30,108	18,056
Total accounts receivable	\$ 191,950	\$ 150,473

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 \$140,657 and \$130,474, respectively, as of December 31, 2013 (\$159,004 and \$157,741 respectively, as of December 31, 2012). 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, 2013 and 2012

NOTE E – CURRENT AND LONG-TERM DEBT

Current and long-term debt at December 31, 2013 and 2012 are as follows:

	<u>Interest Rate</u>	<u>First Payment</u>	<u>Contract Term</u>	<u>12/31/2013</u>	<u>12/31/2012</u>
Notes payable to OWDA:					
Construction loan 1606	7.24%	1/1/1994	25 yrs.	\$ 31,147	\$ 36,849
Construction loan 1607	7.24%	1/1/1994	25 yrs.	31,147	36,849
Construction loan 2938	6.58%	7/1/1996	25 yrs.	96,417	107,005
Construction loan 2966	6.72%	1/1/1997	25 yrs.	491,316	540,589
Construction loan 2967	6.72%	1/1/1997	25 yrs.	729,347	802,495
Construction loan 2968	6.32%	1/1/1998	24 yrs.	35,851	39,508
Construction loan 3193	6.13%	1/1/2002	25 yrs.	795,773	837,146
Construction loan 4114	3.98%	7/1/2006	25 yrs.	131,684	137,017
Construction loan 4115	3.98%	7/1/2006	25 yrs.	365,543	380,348
Construction loan 4472	4.49%	7/1/2007	30 yrs.	498,448	510,631
				<u>3,206,673</u>	<u>3,428,437</u>
Other loans and bonds:					
Ohio Public Works Commission Loan	0.00%	7/1/2007	20 yrs.	86,601	93,263
Total debt				<u>\$ 3,293,274</u>	<u>\$ 3,521,700</u>

Long-term debt additions and reductions for the years ended December 31, 2013 and 2012 are as follows:

	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 3,428,437	\$ -	\$ 221,764	\$ 3,206,673	\$ 235,683
Ohio Public Works Commission	93,263	-	6,662	86,601	6,662
	<u>\$ 3,521,700</u>	<u>\$ -</u>	<u>\$ 228,426</u>	<u>\$ 3,293,274</u>	<u>\$ 242,345</u>
	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>	<u>Due Within One Year</u>
O.W.D.A	\$ 3,637,121	\$ -	\$ 208,684	\$ 3,428,437	\$ 221,764
Ohio Public Works Commission	99,924	-	6,661	93,263	6,662
Fairfield National Bank	31,886	-	31,886	-	-
	<u>\$ 3,768,931</u>	<u>\$ -</u>	<u>\$ 247,231</u>	<u>\$ 3,521,700</u>	<u>\$ 228,426</u>

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

NOTE E – CURRENT AND LONG-TERM DEBT - Continued

The current and long-term construction loans listed are with Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC). 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			OPWC Loan
	Principal	Interest	Total	Principal
2014	\$ 235,683	\$ 185,088	\$ 420,771	\$ 6,662
2015	250,491	170,279	420,770	6,662
2016	266,249	154,522	420,771	6,662
2017	283,017	137,752	420,769	6,662
2018	292,491	119,910	412,401	6,662
2019-2023	1,081,232	338,968	1,420,200	33,308
2024-2028	487,420	120,278	607,698	19,983
2029-2033	212,935	43,009	255,944	-
2034-2036	97,155	7,775	104,930	-
Total	<u>\$ 3,206,673</u>	<u>\$ 1,277,581</u>	<u>\$ 4,484,254</u>	<u>\$ 86,601</u>

In connection with the OWDA loans, 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, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$4,484,254 at December 31, 2013 and \$4,905,024 at December 31, 2012. For the year ended December 31, 2013, net revenue available, principal and interest paid and the coverage ratio is as follows: \$566,524, \$420,878, and 1.35 respectively. For the year ended December 31, 2012, net revenue available, principal and interest paid and the coverage ratio is as follows: \$423,553, \$456,172, and 1.31, 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, 2013 and 2012

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, 2013 and 2012, the District's bank balances of \$418,035 and \$261,876 were either exposed to custodial risk as discussed above or covered by FDIC.

Investments – The District did not have any investments during 2013 and 2012.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

NOTE G – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013 was as follows:

	Ending Balance 12/31/12	Additions	Deletions	Ending Balance 12/31/13
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	3,061,994	-	-	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	96,609	6,900	-	103,509
Total Capital Assets, Being Depreciated	6,452,608	6,900	-	6,459,508
Less Accumulated Depreciation:				
Water Tower	(40,195)	(1,970)	-	(42,165)
Building - Water Plant	(15,656)	(762)	-	(16,418)
Water Line Construction	(676,387)	(43,726)	-	(720,113)
Sewer Line Construction	(1,615,225)	(112,838)	-	(1,728,063)
Water Treatment Plant Improvements	(736,307)	(70,598)	-	(806,905)
Water Planning	(42,129)	(2,547)	-	(44,676)
Sewer Planning	(44,391)	(2,697)	-	(47,088)
General Equipment	(92,834)	(2,252)	-	(95,086)
Total Accumulated Depreciation	(3,263,124)	(237,390)	-	(3,500,514)
Total Capital Assets Being Depreciated, Net	3,189,484	(230,490)	-	2,958,994
Total Capital Assets, Net	\$ 3,206,714	\$ (230,490)	\$ -	\$ 2,976,224

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

NOTE G – CAPITAL ASSETS – Continued

Capital assets activity for the year ended December 31, 2012 was as follows:

	Ending Balance 12/31/11	Additions	Deletions	Ending Balance 12/31/12
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	3,061,994	-	-	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	5,336	-	96,609
Total Capital Assets, Being Depreciated	6,447,272	5,336	-	6,452,608
Less Accumulated Depreciation:				
Water Tower	(38,225)	(1,970)	-	(40,195)
Building - Water Plant	(14,894)	(762)	-	(15,656)
Water Line Construction	(632,661)	(43,726)	-	(676,387)
Sewer Line Construction	(1,502,387)	(112,838)	-	(1,615,225)
Water Treatment Plant Improvements	(665,709)	(70,598)	-	(736,307)
Water Planning	(39,582)	(2,547)	-	(42,129)
Sewer Planning	(41,694)	(2,697)	-	(44,391)
General Equipment	(91,272)	(1,562)	-	(92,834)
Total Accumulated Depreciation	(3,026,424)	(236,700)	-	(3,263,124)
Total Capital Assets Being Depreciated, Net	3,420,848	(231,364)	-	3,189,484
Total Capital Assets, Net	\$ 3,438,078	\$ (231,364)	\$ -	\$ 3,206,714

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 Carlile, Patchen & Murphy, LLP, Columbus, Ohio.

During the period from January 1 to December 31, 2013 and 2012, there were no contingent liabilities or pending litigation for the District that management believes is material to the basic financial statements.

Greenfield Township Water & Sewer District
Fairfield County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

NOTE J – CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT

For 2013 and 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” GASB Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District’s 2012 and 2015 financial statements; however, there was no effect on beginning net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 62, 63, 66, 69, and 70 had no effect on the financial statements. The implementation of GASB Statements No. 65 had the following effect on beginning net position and also resulted in certain financial statement terminology and classification changes.

Beginning net position decreased from \$164,187 as of December 31, 2011 to \$157,988 as of January 1, 2012. The \$6,199 restatement is due to the removal of the remaining amount of loan fees that had not yet been amortized.



Balestra, Harr & Scherer, CPAs, Inc.

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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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 9, 2014 wherein we noted that the District implemented Governmental Accounting Standards Board (GASB) Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
May 9, 2014

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT
FAIRFIELD COUNTY
DECEMBER 31, 2013 AND 2012
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Noncompliance

Ohio Rev. Code, Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is passed. Ohio Rev. Code Section 5705.41 (B) states that no subdivision is to expend money unless it has been appropriated.

In 2012, the District did not pass an appropriation measure. Failure to pass an appropriation measure resulted in expenditures in excess of appropriations.

The District should put controls in place to ensure that annual appropriation measures are passed by the Board of Trustees each year.

Client Response: The District has always passed appropriation measures, and inadvertently overlooked it for 2012. The Clerk will add a reminder to her calendar to ensure that appropriations are passed each year.

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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
SEPTEMBER 02, 2014**