



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY  
DECEMBER 31, 2019 AND 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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 statements of the cash balances, receipts and disbursements, and related notes of the Switzerland of Ohio Water District, Monroe County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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 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 such 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 opinions.

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

As described in Note 2 of the financial statements, the District prepared these financial statements 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 statements referred to above do 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, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Switzerland of Ohio Water District, Monroe County, as of December 31, 2019 and 2018, 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 2.

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 26, 2020

**Switzerland of Ohio Water District**  
*Monroe County*  
**Combined Statement of Receipts, Disbursements**  
*And Changes in Cash Balances (Regulatory Cash Basis)*  
**For the Year Ended December 31, 2019**

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<b>Operating Cash Receipts</b>	
Water Sales	\$719,173
Rental Deposits	1,100
Reconnection Fees	3,125
Tap Fees	<u>3,000</u>
<i>Total Operating Cash Receipts</i>	<u>726,398</u>
<b>Operating Cash Disbursements</b>	
Wages and Benefits	200,144
Deposit Refunds	1,900
Insurance, Workers Compensation, License Fees	12,603
Office Supplies and Expenses	11,535
Purchased Water	423,867
Repairs, Maintenance and Supplies	138,409
Utilities	17,296
Miscellaneous	<u>408</u>
<i>Total Operating Cash Disbursements</i>	<u>806,162</u>
<i>Operating (Loss)</i>	<u>(79,764)</u>
<b>Non-Operating Cash Receipts</b>	
Interest	950
Miscellaneous	<u>11,067</u>
<i>Total Non-Operating Cash Receipts</i>	12,017
<b>Non-Operating Cash Disbursements</b>	
Debt Service	<u>36,146</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>36,146</u>
<i>Net Receipts (Under) Disbursements</i>	(103,893)
Transfers In	29,400
Transfers Out	<u>(29,400)</u>
<i>Net Change in Cash Balances</i>	(103,893)
Cash Balances, January 1	<u>320,813</u>
<i>Cash Balances, December 31</i>	<u><u>\$216,920</u></u>

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

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**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The Switzerland of Ohio Water District (the District), Monroe County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each Board Member is appointed by the Monroe County Common Pleas Court Judge. There are five Board Members. The District provides water services to residents of the District.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The District’s financial statements consist of a statement of receipts, disbursements and changes in cash balances (regulatory cash basis).

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***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 cash as of January 1.

***Encumbrances*** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made.

A summary of 2019 budgetary activity appears in Note 3.

**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Deposits and Investments***

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

***Capital Assets***

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

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$773,900	\$767,815	(\$6,085)

  

2019 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$849,865	\$871,708	(\$21,843)

**Note 4 – Deposits and Investments**

The District maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	2019 \$148,880
Certificates of deposit	68,040
Total deposits	\$216,920

**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**Note 4 – Deposits and Investments (Continued)**

*Deposits*

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Risk Management**

*Workers' Compensation*

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

*Commercial Insurance*

The District has obtained commercial insurance for the following risks:

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

**Note 6 – Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

The District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2019.

**Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

**Note 8 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
USDA - FHA Bonds	\$189,600	5.00%
OPWC Loan	36,944	0.00%
OWDA Loan	88,940	0.63%
Total	\$315,484	

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

The District entered into an interest-free Ohio Public Works Commission (OPWC) loan for water system and waterline expansion projects in July 2008. The loan is collateralized solely by the future revenues of the District's water operations.

In 2017, the District entered into a loan with the Ohio Water Development Authority (OWDA) for the replacement of the Supervisory Control and Data Acquisition (SCADA) system. The loan is collateralized solely by the future revenues of the District's water operations.

***Amortization***

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

Year Ending December 31:	USDA - FHA Bonds	OPWC Loan	OWDA Loan
2020	\$29,380	\$1,847	\$4,974
2021	29,385	1,847	4,974
2022	29,340	1,847	4,974
2023	29,345	1,847	4,974
2024	29,295	1,848	4,974
2025-2029	87,910	9,236	24,870
2030-2034	0	9,236	24,870
2035-2039	0	9,236	22,383
Total	\$234,655	\$36,944	\$96,993

**Note 9 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Switzerland of Ohio Water District**  
*Monroe County*  
**Combined Statement of Receipts, Disbursements**  
*And Changes in Cash Balances (Regulatory Cash Basis)*  
**For the Year Ended December 31, 2018**

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<b>Operating Cash Receipts</b>	
Water Sales	\$758,731
Rental Deposits	2,500
Reconnection Fees	3,725
Tap Fees	<u>6,000</u>
<i>Total Operating Cash Receipts</i>	<u>770,956</u>
<b>Operating Cash Disbursements</b>	
Wages and Benefits	185,955
Deposit Refunds	2,200
Insurance, Workers Compensation, License Fees	14,104
Office Supplies and Expenses	21,043
Purchased Water	357,285
Repairs, Maintenance and Supplies	74,462
Utilities	16,273
Miscellaneous	359
Capital Outlay	<u>64,733</u>
<i>Total Operating Cash Disbursements</i>	<u>736,414</u>
<i>Operating Income</i>	<u>34,542</u>
<b>Non-Operating Cash Receipts</b>	
Interest	824
Loan Proceeds	64,733
Miscellaneous	<u>4,795</u>
<i>Total Non-Operating Cash Receipts</i>	70,352
<b>Non-Operating Cash Disbursements</b>	
Debt Service	<u>31,172</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>31,172</u>
<i>Net Receipts Over Disbursements</i>	73,722
Transfers In	29,400
Transfers Out	<u>(29,400)</u>
<i>Net Change in Cash Balances</i>	73,722
Cash Balances, January 1	<u>247,091</u>
<i>Cash Balances, December 31</i>	<u><u>\$320,813</u></u>

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

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**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The Switzerland of Ohio Water District (the District), Monroe County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Each Board Member is appointed by the Monroe County Common Pleas Court Judge. There are five Board Members. The District provides water services to residents of the District.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The District's financial statements consist of a statement of receipts, disbursements and changes in cash balances (regulatory cash basis).

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***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 cash as of January 1.

***Encumbrances*** The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made.

A summary of 2018 budgetary activity appears in Note 3.

**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Deposits and Investments***

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

***Capital Assets***

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

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$825,433	\$870,708	\$45,275

  

2018 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$820,833	\$796,986	\$23,847

**Note 4 – Deposits and Investments**

The District maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	2018 \$252,773
Certificates of deposit	68,040
Total deposits	\$320,813



**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Note 4 – Deposits and Investments (Continued)**

*Deposits*

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Risk Management**

*Workers' Compensation*

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

*Commercial Insurance*

The District has obtained commercial insurance for the following risks:

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

**Note 6 – Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

The District employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2018.

**Note 7 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

**Switzerland of Ohio Water District**  
*Monroe County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**Note 8 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
USDA - FHA Bonds	\$208,500	5.00%
OPWC Loan	38,792	0.00%
Total	\$247,292	

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

The District entered into an interest-free Ohio Public Works Commission (OPWC) loan for water system and waterline expansion projects in July 2008. The loan is collateralized solely by the future revenues of the District's water operations.

During 2017, the District entered into a loan with the Ohio Water Development Authority (OWDA) for the replacement of the Supervisory Control and Data Acquisition (SCADA) system. The OWDA loan was approved up to \$93,332. As of December 31, 2018, the balance of the loan is \$93,332; however, no amortization schedule has been provided to the District. The loan is collateralized solely by the future revenues of the District's water operations.

***Amortization***

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

Year Ending December 31:	USDA - FHA Bonds	OPWC Loan
2019	\$29,325	\$1,847
2020	29,380	1,847
2021	29,385	1,847
2022	29,340	1,847
2023	29,345	1,848
2024-2028	117,205	9,236
2029-2033	0	9,236
2034-2038	0	9,236
2039-2043	0	1,848
Total	\$263,980	\$38,792

**Note 9 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

# OHIO AUDITOR OF STATE KEITH FABER



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The Plains, Ohio 45780-1231  
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SoutheastRegion@ohioauditor.gov

## 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 statements of the cash balances, receipts, and disbursements of the Switzerland of Ohio Water District, Monroe County, Ohio (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 26, 2020, wherein we noted the District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

### ***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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2019-001 to be a material weakness.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 26, 2020

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The District should maintain an accounting system and accounting records sufficient to enable the District to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The District did not always classify receipts into accurate classifications on the financial statements. We noted the following in 2018:

- The District recorded \$64,733 in OWDA loan proceeds to Intergovernmental Revenue instead of Loan Proceeds.
- The District overstated beginning fund balance by \$3,239 and understated Interest Revenue and Miscellaneous Revenue by \$77 and \$3,162, respectively.

The reclassifications noted above, with which management agrees, are reflected in the accompanying financial statements.

The District did not have a control process in place to help ensure receipts are recorded in the correct classification.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the District's financial position and operations.

The District should take the necessary steps to ensure that all receipt transactions are properly presented on the District's financial statements.

**Officials' Response:** We did not receive a response from Officials to this Finding.

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
JUNE 9, 2020**