

**SOUTHWEST LICKING COMMUNITY  
WATER & SEWER DISTRICT**

**BASIC FINANCIAL STATEMENTS**

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December 31, 2009 and 2008





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Southwest Licking Water and Sewer District  
P. O. Box 215  
Etna, Ohio 43018

We have reviewed the *Independent Accountants' Report* of the Southwest Licking Water and Sewer District, Licking County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2008 through December 31, 2009. 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 Southwest Licking Water and Sewer District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 14, 2010

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Licking County, Ohio  
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For the Years Ended December 31, 2009 and 2008

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## INDEPENDENT ACCOUNTANTS' REPORT

Southwest Licking Community Water and Sewer District  
69 Zellars Lane  
Pataskala, Ohio 43062

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Southwest Licking Community Water and Sewer District, Licking County, Ohio (the "District"), as of and for the years ended December 31, 2009 and December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2009 and December 31, 2008, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the supplementary information. However, we did not audit the information and express no opinion on it.



Kennedy Cottrell Richards LLC  
May 7, 2010

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Years Ended December 31, 2009 and 2008  
(Unaudited)

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This discussion and analysis, along with the accompanying financial reports, of Southwest Licking Community Water and Sewer District (SWLCWSD or "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 SWLCWSD exceeded liabilities on December 31, 2009 by \$7.7 million and on December 31, 2008 by \$9.6 million. The District's net assets decreased by \$1.9 million (-20.2%) in 2009 and by \$2.7 million (-21.7%) in 2008.

The District's operating revenues increased by \$646 thousand (13.9%) in 2009 and by \$277 thousand (6.3%) in 2008. Operating expenses (excluding depreciation and amortization expenses) increased \$14 thousand (0.6%) in 2009 and by \$153 thousand (7.0%) in 2008. Depreciation and amortization expense decreased \$29 thousand (-0.8%) and increased \$23 thousand (0.6%) in 2008. The District's non-operating revenues decreased by \$208 thousand (-8.3%) in 2009 and by \$826 thousand (-24.8%) in 2008.

The District issued an additional \$.97 million of long term debt in 2009 and \$.35 million of long term debt in 2008.

### **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 Assets** includes 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 assets are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Assets** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special 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. It summarizes the net changes in cash resulting from operating, investing, capital and non-capital financing activities.



Southwest Licking Community Water and Sewer District  
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**STATEMENTS OF NET ASSETS**

Table 1 summarizes the net assets of the District. Capital assets are reported less accumulated depreciation. "Invested in Capital, Net of Debt", are capital assets less outstanding debt that was used to acquire those assets.

**Table 1**

	<u>2009</u>	<u>2008</u>	<u>Change Amount</u>	<u>2007 *</u>	<u>Change Amount</u>
Current and Other Assets	\$ 16,584,555	\$ 17,222,313	\$ (637,758)	\$ 19,306,526	\$ (2,084,213)
Restricted Assets	43,810	45,800	(1,990)	45,800	-
Capital Assets	<u>54,075,892</u>	<u>57,653,584</u>	<u>(3,577,692)</u>	<u>60,940,882</u>	<u>(3,287,298)</u>
<b>Total Assets</b>	<u>70,704,257</u>	<u>74,921,697</u>	<u>(4,217,440)</u>	<u>80,293,208</u>	<u>(5,371,511)</u>
Long Term Liabilities	59,541,144	61,745,226	(2,204,082)	64,628,174	(2,882,948)
Current and Other Liabilities	<u>3,499,233</u>	<u>3,577,762</u>	<u>(78,529)</u>	<u>3,411,876</u>	<u>165,886</u>
<b>Total Liabilities</b>	<u>63,040,377</u>	<u>65,322,988</u>	<u>(2,282,611)</u>	<u>68,040,050</u>	<u>(2,717,062)</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	(3,875,309)	(2,690,484)	(1,184,825)	(2,341,095)	(349,389)
Restricted	43,810	45,800	(1,990)	45,800	-
Unrestricted	<u>11,495,379</u>	<u>12,243,393</u>	<u>(748,014)</u>	<u>14,548,453</u>	<u>(2,305,060)</u>
<b>Total Net Assets</b>	<u>\$ 7,663,880</u>	<u>\$ 9,598,709</u>	<u>\$ (1,934,829)</u>	<u>\$ 12,253,158</u>	<u>\$ (2,654,449)</u>

\* - Certain reclassifications were made to 2007 amounts to conform to the 2009 and 2008 presentations.

The District's net assets decreased by \$1.9 million (-20.2%) in 2009 and by \$2.7 million (-21.7%) in 2008.

The decrease in 2009 is primarily due to the decrease in total assets of approximately \$4.2 million which was partially offset by a decrease in total liabilities of approximately \$2.3 million. The decrease in total assets is mainly due to decreases in cash, net capital assets and assessment receivables. Cash decreased due to cash disbursements exceeding cash receipts primarily due to continued lower tap fees. Net capital assets decreased primarily due to depreciation expense. The decrease in liabilities is primarily due to the decrease in notes payable which was partially offset by an increase in deferred revenue-special assessments.

The decrease in 2008 is primarily due to the decrease in total assets of approximately \$5.4 million which was partially offset by a decrease in total liabilities of approximately \$2.7 million. The decrease in total assets is mainly due to a decrease in cash and net capital assets. Cash decreased due to cash disbursements exceeding cash receipts primarily due to lower tap fees. Net capital assets decreased primarily due to depreciation expense. The decrease in liabilities is primarily due to the decrease in notes payable which was partially offset by increases in deferred revenue-special assessments and accounts payable.

Restricted net assets decreased \$1,990 in 2009 and remained the same in 2008. Restricted net assets consist of cash deposits in escrow accounts for contractor bonds.

Unrestricted net assets decreased by \$748 thousand (-6.1%) in 2009 and by \$2.3 million (-15.8%) in 2008. Unrestricted net assets may be used without constraints established by legal requirements. Cash and cash equivalents decreased \$193 thousand (-14.7%) in 2009 and by \$1.7 million (-57.4%) in 2008.

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**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Table 2 below summarizes the changes in Revenues and Expenses and Net Assets.

**Table 2**

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>Change</u>
Operating Revenues	\$ 5,294,765	\$ 4,649,165	\$ 645,600	\$ 4,372,114	\$ 277,051
Operating Expenses (Excluding Depreciation & Amortization)	2,372,074	2,358,293	13,781	2,204,995	153,298
Depreciation & Amortization	3,760,869	3,789,646	(28,777)	3,766,666	22,980
<b>Total Operating Expenses</b>	<b><u>6,132,943</u></b>	<b><u>6,147,939</u></b>	<b><u>(14,996)</u></b>	<b><u>5,971,661</u></b>	<b><u>176,278</u></b>
Operating Loss	(838,178)	(1,498,774)	660,596	(1,599,547)	100,773
Non-Operating Revenues	2,293,550	2,501,134	(207,584)	3,327,274	(826,140)
Non-Operating Expenses	3,445,360	3,679,288	(233,928)	3,835,239	(155,951)
Capital Contributions	55,159	22,479	32,680	1,182	21,297
<b>Changes in Net Assets</b>	<b><u>(1,934,829)</u></b>	<b><u>(2,654,449)</u></b>	<b><u>719,620</u></b>	<b><u>(2,106,330)</u></b>	<b><u>(548,119)</u></b>
<b>Net Assets at Beginning of Year</b>	<b><u>9,598,709</u></b>	<b><u>12,253,158</u></b>	<b><u>(2,654,449)</u></b>	<b><u>14,359,488</u></b>	<b><u>(2,106,330)</u></b>
<b>Net Assets at End of Year</b>	<b><u>\$ 7,663,880</u></b>	<b><u>\$ 9,598,709</u></b>	<b><u>\$ (1,934,829)</u></b>	<b><u>\$ 12,253,158</u></b>	<b><u>\$ (2,654,449)</u></b>

Operating revenues increased \$646 thousand (13.9%) in 2009. The increase in 2009 was primarily the result of a rate increase. Non-operating revenues decreased \$208 thousand (-8.3%) in 2009 which was primarily due to decreased tap fee income of \$116 thousand and decreased interest income of \$62 thousand. The decrease in tap fees is the result of decreased building activity in the area and is subject to fluctuation depending on the economy and other factors. The decreased interest income is primarily due to lower cash balances and lower interest rates. There were capital contributions of \$55,159 in 2009 (an increase from \$22,479 in 2008). Capital contributions will fluctuate from year to year depending on developer construction activity and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating expenses, excluding depreciation and amortization, increased \$14 thousand (0.6%) in 2009. This increase was primarily a result of increases in basic wages and associated fringe benefits and in legal fees which was due to certain litigation matters during 2009. These increases were partially offset by decreases in chemicals and operating supplies, repairs and maintenance, audit costs (associated with the audit which occurs every two years), employee health insurance, and collection and bank fees as well as other less significant changes.

Operating revenues increased \$277 thousand (6.3%) in 2008. The increase in 2008 was primarily the result of rate increases, additional customers and an increase in late charges from delinquent accounts. Non-operating revenues decreased \$826 thousand (-24.8%) in 2008 which is primarily due to decreased tap fee income of \$526 thousand and decreased interest income of \$169 thousand (-16.6%). There was also a gain on the sale of capital assets of \$161 thousand which did not recur in 2008. The decrease in tap fees is the result of decreased building activity in the area and is subject to fluctuation depending on the economy and other factors. There were capital contributions of \$22,479 in 2008 (an increase from \$1,182 in 2007). Capital contributions will fluctuate from year to year depending on developer construction activity and deferred agricultural special assessments being collected from property converted from agricultural use.

Operating expenses, excluding depreciation and amortization, increased \$153 thousand (7.0%) in 2008. Basic wage increases and associated fringe benefits, increased expenses for repairs and maintenance, chemicals and operating supplies, utilities, audit costs (associated with the audit which occurs every two years), collection and bank fees (associated with the full-year implementation of the acceptance of credit and debit card payments) and increased depreciation expenses were partially offset by lower costs for telephone, legal fees, health insurance, and office supplies as well as other less significant changes.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
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(Unaudited)

**CAPITAL ASSETS**

The District had \$98.4 million invested in capital assets (before accumulated depreciation of \$44.4 million) at the end of 2009. This amount is an increase of \$0.2 million (0.2%) from the previous year. This increase was primarily due to construction in progress on the Refugee Road Phase II and Flying J Waterline projects. Additional information regarding capital assets can be found in Note F to the basic financial statements.

**Table 3**

	<b>2009</b>	<b>2008</b>	<b>Change Amount</b>	<b>2007</b>	<b>Change Amount</b>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 914,738	\$ 914,738	\$ -	\$ 914,738	\$ -
Land Easements	337,217	333,272	3,945	333,272	-
Construction in Progress	1,017,443	913,095	104,348	666,771	246,324
Total Capital Assets Not Being Depreciated	<u>2,269,398</u>	<u>2,161,105</u>	<u>108,293</u>	<u>1,914,781</u>	<u>246,324</u>
<b>Capital Assets Being Depreciated (Net of Accumulated Depreciation):</b>					
Land Improvements	22,838	24,867	(2,029)	26,896	(2,029)
Facilities, Lines & Related Infrastructure	49,064,878	52,550,767	(3,485,889)	55,842,622	(3,291,855)
Donated Developer Lines	2,401,211	2,564,073	(162,862)	2,726,935	(162,862)
Vehicles	372	521	(149)	16,968	(16,447)
Office Furniture and Equipment	79,896	83,533	(3,637)	105,525	(21,992)
General Equipment	230,633	259,015	(28,382)	295,858	(36,843)
Safety Equipment	6,666	9,703	(3,037)	11,297	(1,594)
Total Capital Assets Being Depreciated (Net)	<u>51,806,494</u>	<u>55,492,479</u>	<u>(3,685,985)</u>	<u>59,026,101</u>	<u>(3,533,622)</u>
<b>Net Capital Assets</b>	<b><u>\$ 54,075,892</u></b>	<b><u>\$ 57,653,584</u></b>	<b><u>\$ (3,577,692)</u></b>	<b><u>\$ 60,940,882</u></b>	<b><u>\$ (3,287,298)</u></b>

Southwest Licking Community Water and Sewer District  
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Management's Discussion and Analysis  
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**DEBT**

The District issues long term debt to finance most of its construction. In prior years, the District would levy special assessments on the benefiting property owners and then obtain Ohio Water Development Authority Loans (OWDA) to assist in financing various water and sewer line projects. The special assessment collections are generally received over a twenty five year period and such collections are used to pay the debt service on the OWDA loans. The District also issued OWDA and Ohio Public Works Commission debt to assist in the construction of water and wastewater treatment facilities as well as other infrastructure of the District. The District uses tap fees and capacity fees to assist in paying off these debt issues. The District also has a debt service fee charged to sewer customers to assist in paying off any sewer related debt. Additional information regarding debt can be found in Note H to the Basic Financial Statements.

**Table 4**

	<b>2009</b>	<b>2008</b>	<b>Change Amount</b>	<b>2007 *</b>	<b>Change Amount</b>
OWDA Loans	\$ 56,358,067	\$ 58,537,232	\$ (2,179,165)	\$ 61,215,765	\$ (2,678,533)
OPWC Loans	1,020,358	1,072,102	(51,744)	1,175,588	(103,486)
Rotary Commission Loans	346,941	346,941	-	346,941	-
Highland Hills Recoupment Agreement	225,835	225,835	-	225,835	-
Park National Bank Loan	-	161,958	(161,958)	317,849	(155,891)
<b>Total Long Term Debt</b>	<b>57,951,201</b>	<b>60,344,068</b>	<b>(2,392,867)</b>	<b>63,281,978</b>	<b>(2,937,910)</b>
Less: Current Maturities	3,282,362	3,367,308	(84,946)	3,284,668	82,640
<b>Net Total Long Term Debt</b>	<b>\$ 54,668,839</b>	<b>\$ 56,976,760</b>	<b>\$ (2,307,921)</b>	<b>\$ 59,997,310</b>	<b>\$ (3,020,550)</b>

\* - Certain reclassifications were made to 2007 amounts to conform to the 2009 and 2008 presentations.

**CASH**

Cash and cash equivalents on December 31, 2009 and 2008 were \$1.1 million and \$1.3 million, respectively. \$44 thousand and \$46 thousand of these funds in 2009 and 2008, respectively, were restricted for specific use. These accounts are for escrowed contractor bonds.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Donald S. Rector, P.E., General Manager, Southwest Licking Community Water and Sewer District, P.O. Box 215, Etna, Ohio 43018 or (740) 927-0410.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Net Assets  
As of December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash in checking	\$ 1,079,262	\$ 1,270,741
Petty cash	331	250
Intergovernmental Receivable	6,983	7,514
Accounts receivable - operating billings less allowance for doubtful accounts (\$150,000 in 2009 and \$150,000 in 2008)	682,741	609,969
Prepaid insurance	40,221	39,946
Meter inventory	13,701	10,933
Total current assets	1,823,239	1,939,353
<b>Noncurrent assets:</b>		
Restricted Assets:		
Cash in savings-contractor bonds	43,810	45,800
Total restricted assets	43,810	45,800
<b>Capital Assets, net of Accumulated Depreciation</b>	<b>54,075,892</b>	<b>57,653,584</b>
<b>Other Assets:</b>		
Loan fees, net of \$117,840 and \$110,835 accumulated amortization for 2009 and 2008, respectively	99,783	106,788
Jefferson water tap rights, net of \$127,114 and \$119,047 accumulated amortization for 2009 and 2008, respectively	48,031	56,098
Assessment receivables-water	6,823,824	7,004,958
Assessment receivables-sewer	7,789,678	8,115,116
Total other assets	14,761,316	15,282,960
 Total Assets	 \$ 70,704,257	 \$ 74,921,697

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Net Assets - Continued  
As of December 31, 2009 and 2008

<b>LIABILITIES</b>	<b>2009</b>	<b>2008</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 107,519	\$ 99,886
Note payable - current portion	3,282,362	3,367,308
Deposits payable to developers	8,595	8,595
Contractor bonds payable	43,810	45,800
Accrued employee wages	27,362	27,500
Accrued interest payable	6,983	10,439
Payroll taxes accrued and withheld	22,602	18,234
Total current liabilities	3,499,233	3,577,762
<b>Long Term Liabilities:</b>		
Compensated absences	146,867	150,503
Deferred revenue-special assessments	4,725,438	4,617,963
Notes and recoupment agreements payable	54,668,839	56,976,760
Total long term liabilities	59,541,144	61,745,226
<b>Total Liabilities</b>	<b>63,040,377</b>	<b>65,322,988</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	(3,875,309)	(2,690,484)
Restricted	43,810	45,800
Unrestricted	11,495,379	12,243,393
Total net assets	\$ 7,663,880	\$ 9,598,709

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 5,085,313	\$ 4,450,430
Late charges	209,452	198,735
Total operating revenues	5,294,765	4,649,165
<b>OPERATING EXPENSES</b>		
Salaries	966,884	944,881
Training	2,347	2,860
Medicare tax expense	13,951	13,524
P.E.R.S. expense	133,252	130,610
Workers compensation	16,612	13,635
Operations and testing	25,728	32,536
Chemicals and operating supplies	143,496	190,330
Biosolids processing	51,400	45,625
Refuse	3,168	3,104
Equipment rental	1,678	3,352
Repairs and maintenance	263,707	290,281
Legal	131,051	12,186
Accounting	18,720	11,460
Professional fees - software	2,195	1,620
Board designated expenses	244	391
Audit fees	-	18,644
Advertising and communications	1,635	1,117
Insurance:		
General	42,144	40,971
Health	137,370	152,485
Life	2,379	2,449
Telephone	23,867	24,789
Utilities	293,160	301,774
Office supplies	19,867	17,453
Postage	40,447	37,463
Real estate taxes	-	10,590
Security	427	344
Uniform rental	1,615	2,662
Small tools	3,390	719
Vehicle expense	1,022	800
Collection and bank fees	507	16,962
Dues and subscriptions	1,492	2,178
Licenses	28,172	30,065
General manager discretionary	147	433
Depreciation	3,745,796	3,774,573
Amortization	15,073	15,073
Total operating expenses	6,132,943	6,147,939
Operating loss	(838,178)	(1,498,774)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Debt service fee income	946,548	947,490
Inspection revenue	425	450
Tap fee income	522,030	638,437
Interest income	785,623	847,757
Intergovernmental	14,497	15,522
Miscellaneous income	24,427	51,478
Loss on sale of capital assets	(1,787)	-
Interest expense	(3,443,573)	(3,679,288)
Total non-operating revenues (expenses)	(1,151,810)	(1,178,154)
Changes in net assets before capital contributions	(1,989,988)	(2,676,928)
Capital contributions - special assessments	55,159	22,479
Changes in net assets	(1,934,829)	(2,654,449)
Net assets, beginning of year	9,598,709	12,253,158
Net assets, end of year	\$ 7,663,880	\$ 9,598,709

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Cash Flows  
For the Years Ended December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 5,221,993	\$ 4,577,352
Cash payments to suppliers for goods and services	(1,097,036)	(1,032,668)
Cash payments for employee services and benefits	(1,269,854)	(1,241,300)
Net cash provided by operating activities	2,855,103	2,303,384
<b>Cash Flows from Investing Activities:</b>		
Interest income from savings	11,052	65,304
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Payments for planning and construction, including capitalized interest	(147,402)	(474,346)
Assessment principal payments received	669,205	576,683
Proceeds from trade-in of capital assets	150	-
Intergovernmental revenue	15,028	16,016
Debt service fees collected	946,548	947,490
Increase (Decrease) in contractor bonds payable	(1,990)	2,000
Increase (Decrease) in developer deposits	-	5,365
Purchase of equipment and furniture	(18,694)	(13,036)
Purchase of land easements	(3,945)	-
Construction loan proceeds	974,441	346,758
Principal repayments on loans	(3,367,308)	(3,284,668)
Interest repayments on loans	(3,447,029)	(3,676,857)
Assessment interest income	774,571	782,453
Inspection, tap fee and miscellaneous income	546,882	690,365
Net cash provided by capital and related financing activities	(3,059,543)	(4,081,777)
Net decrease in cash and cash equivalents	(193,388)	(1,713,089)
Cash and cash equivalents at beginning of year	1,316,791	3,029,880
Cash and cash equivalents at end of year	\$ 1,123,403	\$ 1,316,791

(Continued on following page)



Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Statements of Cash Flows - Continued  
For the Years Ended December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
Operating loss	\$ (838,178)	\$ (1,498,774)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</b>		
Depreciation and amortization	3,760,869	3,789,646
<b>Changes in Assets and Liabilities:</b>		
(Increase) decrease in accounts receivable	(72,772)	(71,813)
(Increase) decrease in prepaid insurance	(275)	(1,207)
(Increase) decrease in meter inventory	(2,768)	1,599
Increase (Decrease) in accounts payable (operating)	7,633	67,649
Increase (Decrease) in compensated absences	(3,636)	10,483
Increase (decrease) in accrued wages, benefits and payroll taxes	4,230	5,801
Total adjustments	3,693,281	3,802,158
Net cash provided by operating activities	\$ 2,855,103	\$ 2,303,384

The Notes to the Basic Financial Statements are an integral part of this statement.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2009 and 2008

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**NOTE A - NATURE OF ORGANIZATION**

Southwest Licking Community Water & Sewer District (hereafter referred to as SWLCWSD) was created, during late 1989, by the Court of Common Pleas of Licking County to provide water and sewer services to the residents of Licking County in accordance with the provisions of Section 6119.01 of the Revised Code. SWLCWSD is managed by a Board consisting of three (3) appointed trustees.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Under the guidelines of GASB Statement No. 20, SWLCWSD has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. 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 SWLCWSD are organized on the basis of funds, to report on its financial position and the results of its operations, each of which is considered a separate accounting entity. SWLCWSD 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 assets, revenues, and expenses. This fund accounts for the resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which SWLCWSD 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 SWLCWSD is the Enterprise Fund.

**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 those costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. The proprietary fund is accounted for on a flow of economic resources basis and all assets and liabilities associated with the operation are included on the statements of net assets.

3. **Budgetary Process**

Annually, the SWLCWSD adopts an operating budget (prepared in accordance with accounting principles generally accepted in the United States of America) which does not include capital acquisition and related depreciation expense.

4. **Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenues for the tap fees are recorded when the taps have been installed and the customer is using the water and/or sewer services. All other revenue is recognized when earned.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

5. **Accounts Receivable**

Accounts receivable are shown at their net realizable value. The water shut-off policy, implemented in full force on January 1, 1995, specifies the details of collections for both water and sewer delinquent accounts. Note that uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted. SWLCWSD has recorded an allowance for doubtful accounts for fiscal years 2009 and 2008. Amounts determined to potentially be uncollectible are set up as an allowance and a corresponding entry to an expense account is recorded during the year that the accounts are determined to be potentially uncollectible.

6. **Restricted Assets**

A restricted savings account was established for contractor bonds as discussed in the footnote entitled "CASH IN SAVINGS". These assets are shown as restricted as they can not be used for general SWLCWSD purposes.

7. **Capital Assets**

Capital assets costs are stated at cost (except see next paragraph referring to donated developer lines) and are depreciated over the estimated useful lives of the assets from 7 years to 50 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. In prior years, the District capitalized all assets. In more recent years, the District has maintained a capital asset threshold of \$1,000.

Donated developer lines are stated at fair value based on developer documentation, and are depreciated over 25 to 50 years. 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. The planning costs for proposed projects consist of capitalized interest and the engineering, legal and administrative planning costs, which are not allocated to specific projects currently in construction. If the proposed project begins construction, the respective planning costs will be depreciated. If the proposed project does not enter construction, respective planning costs will be expensed. General administrative, legal, engineering, and other costs, which cannot be directly allocated to specific projects are proportionately allocated to operations and planning/construction for projects serviced during that time frame.

8. **Amortization**

Prior to fiscal year 2000, loan costs were being amortized over the life of each loan beginning on the first date of each loan. Amortization is computed using the straight-line method for financial statement reporting purposes. Loan cost amortization expense charged to operations for 2009 and 2008 was \$8,067 for both years. Effective January 1, 2000 loan costs are capitalized as part of the cost of each respective project.

Jefferson water tap rights are being amortized over twenty-five years. The actual contract term is twenty-five years, with an additional renewal of twenty-five years, unless SWLCWSD specifically requests to decline the renewal. Amortization is computed using the straight-line method for financial statement reporting purposes. Jefferson tap rights amortization expense charged to operations for 2009 and 2008 was \$7,006 for both years.

9. **Provision for Income Tax**

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

10. **Inventory of Materials and Supplies**

Inventories of materials and supplies are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**11. Cash and Cash Equivalents**

For purposes of the statement of cash flows, SWLCWSD considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposits are reported at cost. In 2009 and 2008, SWLCWSD's investment consisted of a repurchase agreement.

**12. Vacation, Sick Leave and Other Compensated Absences**

The SWLCWSD employees are entitled to certain compensated absences based on their length of employment. Accrued employee benefits include cumulative vested vacation, sick leave, and compensatory hours multiplied by current hourly rates.

**13. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For SWLCWSD, these revenues are service revenues and late charges 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.

**14. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvements of those assets. Net assets are reported as restricted for cash held for contractor bonds. SWLCWSD applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of SWLCWSD's \$43,810 and \$45,800 in restricted net assets as of December 31, 2009 and December 31, 2008, respectively, none were restricted by enabling legislation.

**NOTE C - CASH IN SAVINGS**

A separate escrow savings account was established to maintain the contractor bonds' balance due on the construction of the water and sewer lines. The account is a non-interest bearing account; therefore, interest is not due to the contractor. The balance at December 31, 2009 and 2008 was \$43,810 and \$45,800, respectively.

**NOTE D - DEPOSITS AND INVESTMENTS**

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 be evidenced either 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.

**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. Interim deposits shall 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, but not limited to, pass book accounts. Interim monies are those 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 monies may 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.

Protection of the SWLCWSD's deposits is provided by the Federal Deposit Insurance Corporation, 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 SWLCWSD, 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.

Southwest Licking Community Water and Sewer District  
 Licking County, Ohio  
 Notes to the Basic Financial Statements - Continued  
 For the Years Ended December 31, 2009 and 2008

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**NOTE D - DEPOSITS AND INVESTMENTS (Continued)**

Deposits

Custodial credit risk is the risk that in the event of the failure of the counterparty, SWLCWSD'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 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. SWLCWSD'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, 2009, SWLCWSD's bank balance of \$425,665 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. As of December 31, 2008, SWLCWSD's bank balance of \$1,172,307 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Investments

As of December 31, 2009 and December 31, 2008, SWLCWSD had the following investments and maturities:

	2009		2008	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$ 4,056,929	0	\$ 3,600,974	0
Total Fair Value	\$ 4,056,929		\$ 3,600,974	

Interest rate risk – In accordance with the investment policy, SWLCWSD manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SWLCWSD limits their investments to repurchase agreements.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. SWLCWSD's investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. SWLCWSD has invested 100% in investments with no weighted maturity.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the SWLCWSD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The SWLCWSD's repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in SWLCWSD's name.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*.

Southwest Licking Community Water and Sewer District  
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Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

**NOTE E - INTEREST INCOME**

Interest income came from the following sources:

	<b>2009</b>	<b>2008</b>
Interest income from repurchase agreements and savings accounts	\$ 11,052	\$ 65,304
Interest income from assessments, accrued and collected	774,571	782,453
Total interest income	\$ 785,623	\$ 847,757

**NOTE F – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended December 31, 2009 was as follows:

	Ending Balance 12/31/08	Additions	Deletions	Ending Balance 12/31/09
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 914,738	\$ -	\$ -	\$ 914,738
Land Easements	333,272	3,945	-	337,217
Construction in Progress	913,095	104,348	-	1,017,443
Total Capital Assets, Not Being Depreciated	2,161,105	108,293	-	2,269,398
<b>Capital Assets Being Depreciated</b>				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	90,956,956	43,054	-	91,000,010
Donated Developer Lines	4,071,548	-	-	4,071,548
Vehicles	189,061	-	-	189,061
Office Furniture and Equipment	232,901	13,132	(6,779)	239,254
General Equipment	605,308	5,562	-	610,870
Safety Equipment	25,403	-	-	25,403
Total Capital Assets, Being Depreciated	96,113,177	61,748	(6,779)	96,168,146
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(7,133)	(2,029)	-	(9,162)
Facilities, Lines & Related Infrastructure	(38,406,189)	(3,528,943)	-	(41,935,132)
Donated Developer Lines	(1,507,475)	(162,862)	-	(1,670,337)
Vehicles	(188,540)	(149)	-	(188,689)
Office Furniture and Equipment	(149,368)	(14,832)	4,842	(159,358)
General Equipment	(346,293)	(33,944)	-	(380,237)
Safety Equipment	(15,700)	(3,037)	-	(18,737)
Total Accumulated Depreciation	(40,620,698)	(3,745,796)	4,842	(44,361,652)
Total Capital Assets Being Depreciated, Net	55,492,479	(3,684,048)	(1,937)	51,806,494
Total Capital Assets	\$ 57,653,584	\$ (3,575,755)	\$ (1,937)	\$ 54,075,892

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

**NOTE F – CAPITAL ASSETS (Continued)**

Capital assets activity for the fiscal year ended December 31, 2008 was as follows:

	Ending Balance 12/31/07	Additions	Deletions	Ending Balance 12/31/08
Capital Assets, Not Being Depreciated				
Land	\$ 914,738	\$ -	\$ -	\$ 914,738
Land Easements	333,272	-	-	333,272
Construction in Progress	666,771	416,839	(170,515)	913,095
Total Capital Assets, Not Being Depreciated	<u>1,914,781</u>	<u>416,839</u>	<u>(170,515)</u>	<u>2,161,105</u>
Capital Assets Being Depreciated				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	90,729,041	227,915	-	90,956,956
Donated Developer Lines	4,071,548	-	-	4,071,548
Vehicles	189,061	-	-	189,061
Office Furniture and Equipment	261,865	13,036	(42,000)	232,901
General Equipment	605,308	-	-	605,308
Safety Equipment	25,403	-	-	25,403
Total Capital Assets, Being Depreciated	<u>95,914,226</u>	<u>240,951</u>	<u>(42,000)</u>	<u>96,113,177</u>
Less Accumulated Depreciation:				
Land Improvements	(5,104)	(2,029)	-	(7,133)
Facilities, Lines & Related Infrastructure	(34,886,419)	(3,519,770)	-	(38,406,189)
Donated Developer Lines	(1,344,613)	(162,862)	-	(1,507,475)
Vehicles	(172,093)	(16,447)	-	(188,540)
Office Furniture and Equipment	(156,340)	(35,028)	42,000	(149,368)
General Equipment	(309,450)	(36,843)	-	(346,293)
Safety Equipment	(14,106)	(1,594)	-	(15,700)
Total Accumulated Depreciation	<u>(36,888,125)</u>	<u>(3,774,573)</u>	<u>42,000</u>	<u>(40,620,698)</u>
Total Capital Assets Being Depreciated, Net	<u>59,026,101</u>	<u>(3,533,622)</u>	<u>-</u>	<u>55,492,479</u>
Total Capital Assets	<u>\$ 60,940,882</u>	<u>\$ (3,116,783)</u>	<u>\$ (170,515)</u>	<u>\$ 57,653,584</u>

**NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE**

Account receivable balances at December 31, 2009 and 2008 for operating billings are as follows:

	<u>2009</u>	<u>2008</u>
Current	\$ 502,369	\$ 516,150
Over 30 days	124,454	39,527
Over 60 days	37,555	51,693
Over 90 days	<u>168,363</u>	<u>152,599</u>
Gross Receivables	832,741	759,969
Less: Allowance for Doubtful Accounts	<u>(150,000)</u>	<u>(150,000)</u>
Net Accounts Receivable	<u>\$ 682,741</u>	<u>\$ 609,969</u>



Southwest Licking Community Water and Sewer District  
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 Notes to the Basic Financial Statements - Continued  
 For the Years Ended December 31, 2009 and 2008

**NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE (Continued)**

Assessment accounts receivable are from completed construction projects and the issuance of final assessments to residents to cover those costs. The receivables are guaranteed through property tax billing. Included in the balances at December 31, 2009 and 2008, are deferred agricultural property assessments and the related accrued interest receivable. These amounts will be collected when the properties no longer qualify for agricultural property status, as defined in the Ohio Revised Code Chapter 929, and as certified by the County Auditor. These receivables are not recorded as revenue, but rather are offset by a liability account that is called deferred revenue. The time frame of collection is undeterminable. The negative county auditor's collection amounts result primarily in part due to these deferred collections. The assessment accounts receivable balances at December 31, 2009 are as follows:

<u>Project Name</u>	<u>Total Assessed</u>	<u>Prepaid Assessments</u>	<u>County Auditor and Deferred Assessments Paid</u>	<u>% Collected</u>
Beechwood Trails-S (8004)	\$ 3,773,810	\$ 1,411,145	\$ 1,086,932	66.20%
Summit Station Phase I-S (8005)	1,655,693	530,607	405,654	56.55%
Summit Station Phase I-W (8006)	1,792,334	621,931	500,558	62.63%
US 40 Etna-S (8008)	1,677,521	473,285	492,685	57.58%
Summit Station Phase II-S (8011)	910,264	398,382	138,483	58.98%
Summit Station Phase II-W (8016)	413,798	216,465	85,392	72.95%
US 40 Water Treatment-W (8017)	973,786	270,203	253,888	53.82%
Etna SR 40 Environs-W (8018)	1,237,781	532,621	341,557	70.62%
Etna SR 40 Environs-S (8019)	1,699,257	683,485	398,413	63.67%
Columbia Center-S (8020)	945,160	232,455	317,854	58.22%
York/Blacks/Outville Roads-W (8023A)	1,012,860	305,308	52,105	35.29%
York/Blacks/Outville Roads-W (8023B)	810,685	285,815	241,597	65.06%
Russell Heights-S (10033)	343,851	201,536	50,268	73.23%
New England/Russell/Mink-W (10034)	824,753	423,260	155,103	70.13%
Summit Rd and SR 40-W (10079)	1,003,390	225,070	260,195	48.36%
York Rd.-W (10119)	23,062	11,245	4,475	68.16%
Columbia Rd. and Refugee-S (10187)	188,545	48,071	53,723	53.99%
SR 310/Refugee/Smoke-W (10217)	444,505	124,407	73,223	44.46%
Havens Corners Rd.-W (10219)	67,765	10,793	(11,698)	-1.34%
SR 16 Belmar to Summit-S (10221)	139,925	71,947	24,724	69.09%
SR 16 Belmar to Summit-W (10235)	125,519	76,367	15,643	73.30%
Watkins to I 70-W (10259)	62,439	13,586	18,559	51.48%
Blacks Outville Rd.-S (8013)	1,326,907	548,381	226,442	58.39%
SR 310 N. or US 40-S (10083)	120,113	34,743	13,180	39.90%
Fursville/Columbia Center-W (10139)	837,835	190,781	164,064	42.35%
Watkins N. from US 40-S (10218)	29,073	16,056	17,986	117.09%
SR 16/Charles/Daley-S (10220)	459,210	218,320	91,928	67.56%
Subtotal	<u>\$ 22,899,841</u>	<u>\$ 8,176,265</u>	<u>\$ 5,472,933</u>	

Southwest Licking Community Water and Sewer District  
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Notes to the Basic Financial Statements - Continued  
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**NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE (Continued)**

<u>Project Name</u>	<u>Total Assessed</u>	<u>Prepaid Assessments</u>	<u>County Auditor and Deferred Assessments Paid</u>	<u>% Collected</u>
Watkins and Blacks Rds. S (10233)	\$ 465,859	\$ 245,588	\$ 71,621	68.09%
Watkins and Blacks Rd. W (10234)	414,399	194,906	64,584	62.62%
SR 16/Charles and Daley W (10236)	414,872	159,103	95,955	61.48%
Happy Homes/Sunshine S (10279)	393,199	123,937	84,681	53.06%
Hillside Farm Estates S (10287)	243,283	143,461	28,360	70.63%
Ashcraft/Pine Oak/Indian Hills W (10310)	902,061	271,310	160,351	47.85%
Ashcraft/Pine Oak/Indian S (10317)	825,771	263,521	160,128	51.30%
York/US 40 to Refugee S (10319)	108,767	3,434	22,707	24.03%
Sunshine/Happy Homes W (10326)	472,450	124,467	104,514	48.47%
SR 310 and Tatman S (10375)	283,684	182,270	35,894	76.90%
Columbia Rd. S (10460)	93,464	71,068	7,538	84.10%
Columbia/Refugee Rds. W (10461)	69,486	43,550	8,743	75.26%
Lynns Road S (10549)	141,971	46,431	62,727	76.89%
Lynns Road W (10550)	95,610	32,900	12,310	47.29%
SR 310/US 40 to Refugee W (10551)	185,938	69,876	21,666	49.23%
Cleveland Rd. / Mink St. S (10222)	690,562	270,510	119,331	56.45%
Palmer Rd./W. Etna Twp. S (10231)	713,789	319,578	127,990	62.70%
Palmer Rd./W. Etna Twp. W (10232)	728,634	315,932	132,366	61.53%
Palmer Road Sant. Sewer Est. (11003)	224,200	116,269	21,410	61.41%
Palmer Road Water Line Est. (11004)	177,424	93,744	(3,521)	50.85%
Beaver Water Line (11008)	16,413	-	28,824	175.61%
Subtotal	<u>7,661,836</u>	<u>3,091,855</u>	<u>1,368,179</u>	
Subtotal from previous page	<u>22,899,841</u>	<u>8,176,265</u>	<u>5,472,933</u>	
Total	<u>\$ 30,561,677</u>	<u>\$ 11,268,120</u>	<u>\$ 6,841,112</u>	
Net assessment receivable 12/31/09	<u>\$ 14,613,502</u>			
Net assessment receivable 12/31/08	<u>\$ 15,120,074</u>			

The net assessment receivable includes accrued interest of \$2,161,057 and \$2,049,659 on the deferred assessments receivable at both December 31, 2009 and 2008, respectively.

**NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS**

The current and long-term debt listed are planning and construction loans with Ohio Public Works Commission (O.P.W.C.) (Issue II), Ohio Water Development Authority (O.W.D.A.), the Rotary Commission, and Park National Bank (PNB). In addition, recoupment agreements have been established with one developer for the oversizing portion of donated lines, of which costs are considered the responsibility of SWLCWSD. The recoupment agreements are payable in monthly increments of \$2,300 for each tap fee received by SWLCWSD for a customer within the development. The Highland Hills agreement incurs 9.25% interest per annum, calculated monthly on the outstanding balance, and originally was scheduled to be forgiven on August 31, 2001 (even if outstanding debt exists). During 2001, the agreement was extended an additional five years to August 31, 2006. In 2006, the agreement was extended indefinitely.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

**NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)**

The SWLCWSD received a loan from Park National Bank in the amount of \$750,000 to assist in financing the SCADA project for the SWLCWSD. The term of the loan is five years at an interest rate of 3.95%. The loan was paid off during fiscal year 2009.

SWLCWSD has six (6) interest free loans from the Ohio Public Works Commission. Each loan requires semiannual payments for a term of twenty (20) years. Loan CQ616 for \$481,332, used to finance the Columbia Center/Fursville sanitary sewer lines, began on January 1, 1995 and will mature January 1, 2015. Loan CQ808 for \$236,351, used to finance Blanches E. Broad Street Addition waterline improvements, commenced July 1, 1995 and will mature July 1, 2015. Loan CQ807 for \$290,364 was used to finance Happy Homes/Sunshine Park sanitary sewer improvements. The loan commenced July 1, 1996 and will mature July 1, 2016. The loan, CQ021, for \$248,600 was used to finance Cleveland Road/Mink Street sanitary sewer improvements. The loan commenced in 1999 and will mature July 1, 2020. The next loan, CQ23D, for \$500,000 was used to assist in the Phase I-A Wastewater Treatment Plant expansion. The loan commenced in 2002 and will mature July 1, 2022. The final loan, CQ24E, is in the amount of \$733,000 and was used to assist in the Phase I-B Wastewater Treatment Plant expansion. The loan commenced in 2004 and will mature July 1, 2024.

The SWLCWSD has three (3) loans with the Rotary Commission used to finance construction of water and sewer lines for the Columbia Center, Etna S.R. 40, Ashcraft Acres, Pine Oak Estates, and Indian Hills sewer line projects. The outstanding balances of \$106,351; \$65,495; and \$175,095 will be paid back to the Rotary Commission when properties within each project are taken out of agricultural district status. No payment schedule has been established for these loans.

Long-term debt obligations and the related transactions for the years ended December 31, 2008 and 2009 are summarized below:

	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Amount Due Within One Year
O.W.D.A	\$ 61,215,765	\$ 346,758	\$ 3,025,291	\$ 58,537,232	\$ 3,153,606
O.P.W.C	1,175,588	-	103,486	1,072,102	51,744
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Park National Bank	317,849	-	155,891	161,958	161,958
Compensated Absences	140,020	150,503	140,020	150,503	-
	<u>\$ 63,421,998</u>	<u>\$ 497,261</u>	<u>\$ 3,424,688</u>	<u>\$ 60,494,571</u>	<u>\$ 3,367,308</u>
	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Amount Due Within One Year
O.W.D.A	\$ 58,537,232	\$ 974,441	\$ 3,153,606	\$ 56,358,067	\$ 3,178,875
O.P.W.C	1,072,102	-	51,744	1,020,358	103,487
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Park National Bank	161,958	-	161,958	-	-
Compensated Absences	150,503	146,867	150,503	146,867	-
	<u>\$ 60,494,571</u>	<u>\$ 1,121,308</u>	<u>\$ 3,517,811</u>	<u>\$ 58,098,068</u>	<u>\$ 3,282,362</u>

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

**NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)**

<u>Loan #</u>	<u>Payable To</u>	<u>Interest Rate</u>	<u>First Payment</u>	<u>Principal Term</u>	<u>Principal Due in 2010</u>	<u>Principal Due after 2010</u>
1865	O.W.D.A.	7.54	1/1/1994	25 yrs.	\$ 113,091	\$ 1,167,424
1866	O.W.D.A.	6.24	1/1/1994	25 yrs.	11,629	113,613
1867	O.W.D.A.	7.45	1/1/1994	25 yrs.	127,618	1,312,351
1868	O.W.D.A.	6.61	1/1/1994	25 yrs.	21,213	210,516
1869	O.W.D.A.	6.61	1/1/1995	25 yrs.	217,908	2,537,764
3019	O.W.D.A.	6.85	1/1/1995	25 yrs.	196,866	2,319,369
3020	O.W.D.A.	6.02	1/1/1995	25 yrs.	15,677	177,510
3021	O.W.D.A.	5.77	1/1/1995	25 yrs.	9,973	111,579
3025	O.W.D.A.	6.75	7/1/1995	25 yrs.	152,987	1,935,935
3039	O.W.D.A.	6.51	7/1/1995	25 yrs.	61,967	774,659
3040	O.W.D.A.	5.77	7/1/1996	25 yrs.	10,173	140,302
3041	O.W.D.A.	6.51	7/1/1995	25 yrs.	84,598	1,057,584
3043	O.W.D.A.	6.24	7/1/1995	25 yrs.	128,973	1,590,205
3048	O.W.D.A.	6.24	7/1/1995	25 yrs.	3,242	39,976
3053	O.W.D.A.	6.16	7/1/1995	25 yrs.	5,413	66,470
3054	O.W.D.A.	6.16	7/1/1995	25 yrs.	18,114	222,439
3055	O.W.D.A.	6.16	7/1/1995	25 yrs.	54,137	664,816
3063	O.W.D.A.	6.16	1/1/1996	25 yrs.	42,045	553,394
3064	O.W.D.A.	6.16	1/1/1996	25 yrs.	7,705	101,415
3079	O.W.D.A.	6.02	1/1/1996	25 yrs.	106,151	1,386,822
3080	O.W.D.A.	6.02	1/1/1996	25 yrs.	51,606	674,182
3105	O.W.D.A.	5.77	1/1/1996	25 yrs.	17,624	227,197
3106	O.W.D.A.	5.77	1/1/1996	25 yrs.	12,675	163,403
2005	O.W.D.A.	5.90	7/1/1996	25 yrs.	63,350	880,130
2930	O.W.D.A.	5.90	7/1/1996	25 yrs.	34,728	482,473
2956	O.W.D.A.	6.64	1/1/1997	25 yrs.	7,398	114,436
2957	O.W.D.A.	6.64	1/1/1997	25 yrs.	24,283	375,607
2969	O.W.D.A.	6.72	1/1/1997	25 yrs.	44,300	688,444
2970	O.W.D.A.	6.72	1/1/1997	25 yrs.	172,234	2,676,709
2971	O.W.D.A.	6.36	1/1/1997	25 yrs.	16,309	248,116
2093	O.W.D.A.	6.87	7/1/1997	25 yrs.	171,761	2,877,366
2094	O.W.D.A.	6.87	7/1/1997	25 yrs.	178,728	2,994,085
2095	O.W.D.A.	6.36	1/1/1998	25 yrs.	55,748	961,334
2096	O.W.D.A.	6.36	1/1/1998	25 yrs.	27,900	481,110
2099	O.W.D.A.	6.32	7/1/1999	25 yrs.	25,504	522,663
2101	O.W.D.A.	6.11	7/1/1999	25 yrs.	56,288	1,135,781
Subtotal					\$ 2,349,916	\$ 31,987,179

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

**NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)**

Loan #	Payable To	Interest Rate	First Payment	Principal Term	Principal Due in 2010	Principal Due after 2010
2103	O.W.D.A.	6.11	7/1/1999	25 yrs.	41,017	827,637
2174	O.W.D.A.	5.77	1/1/2002	25 yrs.	24,519	627,431
3279	O.W.D.A.	6.41	1/1/2002	25 yrs.	136,247	3,696,755
3682	O.W.D.A.	5.20	7/1/2004	25 yrs.	76,527	2,323,715
3683	O.W.D.A.	5.20	7/1/2004	25 yrs.	22,580	685,619
3756	O.W.D.A.	3.59	1/1/2005	20 yrs.	370,705	4,946,244
3760	O.W.D.A.	4.84	7/1/2004	15 yrs.	51,851	517,501
3912	O.W.D.A.	4.28	1/1/2005	25 yrs.	63,380	1,817,430
3944	O.W.D.A.	4.35	1/1/2005	25 yrs.	12,942	373,921
4314	O.W.D.A.	3.99	7/1/2006	25 yrs.	-	1,742,496
4315	O.W.D.A.	3.99	1/1/2007	25 yrs.	-	1,371,058
4316	O.W.D.A.	3.99	1/1/2007	20 yrs.	29,191	636,612
4437	O.W.D.A.	3.99	7/1/2006	25 yrs.	-	285,848
4699	O.W.D.A.	3.67	1/1/2008	5 yrs.	-	149,189
4821	O.W.D.A.	4.61	7/1/2008	5 yrs.	-	216,116
5008	O.W.D.A.	4.79		25 yrs.	-	968,537
5009	O.W.D.A.	4.79		25 yrs.	-	5,297
5392	O.W.D.A.	0.00		20 yrs.	-	607
CQ021	O.P.W.C	0.00	1/1/2000	20 yrs.	12,430	111,870
CQ616	O.P.W.C	0.00	7/1/1995	20 yrs.	24,067	108,299
CQ807	O.P.W.C	0.00	1/1/1997	20 yrs.	13,598	81,590
CQ808	O.P.W.C	0.00	1/1/1996	20 yrs.	11,818	59,087
CQ23D	O.P.W.C	0.00	1/1/2003	20 yrs.	17,339	216,742
CQ24E	O.P.W.C	0.00	1/1/2005	20 yrs.	24,235	339,283
Rotary		0.00		20 yrs.	-	106,351
Rotary		0.00		20 yrs.	-	175,095
Rotary		0.00		20 yrs.	-	65,495
Highland Hills Recoupment		9.25		Indefinite	-	225,835
Subtotal of this page					932,446	22,681,660
Subtotal of previous page					2,349,916	31,987,179
Totals					\$ 3,282,362	\$ 54,668,839

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

**NOTE H - CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS (Continued)**

Year Ending December 30,	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 3,178,875	\$ 3,095,269	\$ 6,274,144	\$ 103,487	\$ -	\$ 103,487
2011	3,372,663	2,901,481	6,274,144	103,487	-	103,487
2012	3,578,650	2,695,494	6,274,144	103,487	-	103,487
2013	3,797,622	2,476,522	6,274,144	103,487	-	103,487
2014	4,030,415	2,243,729	6,274,144	103,487	-	103,487
2015-2019	22,937,490	7,196,883	30,134,373	321,064	-	321,064
2020-2024	8,393,834	1,634,305	10,028,139	181,859	-	181,859
2025-2029	2,329,370	231,876	2,561,246	-	-	-
Total	<u>\$ 51,618,919</u>	<u>\$ 22,475,559</u>	<u>\$ 74,094,478</u>	<u>\$ 1,020,358</u>	<u>\$ -</u>	<u>\$ 1,020,358</u>

Year Ending December 30,	Total		
	Principal	Interest	Total
2010	\$ 3,282,362	\$ 3,095,269	\$ 6,377,631
2011	3,476,150	2,901,481	6,377,631
2012	3,682,137	2,695,494	6,377,631
2013	3,901,109	2,476,522	6,377,631
2014	4,133,902	2,243,729	6,377,631
2015-2019	23,258,554	7,196,883	30,455,437
2020-2024	8,575,693	1,634,305	10,209,998
2025-2029	2,329,370	231,876	2,561,246
Total	<u>\$ 52,639,277</u>	<u>\$ 22,475,559</u>	<u>\$ 75,114,836</u>

Project loan agreements 4314, 4315, 4437, 4699, 4821, 5008, 5009, and 5392 in the total amount of \$4,739,148 have not been finalized with the OWDA; therefore, no amortization schedules have been created. As a result these loans are not shown on the above maturity schedule. The Highland Hills Recoupment is not shown on the above amortization schedule as there is no fixed repayment schedule for this outstanding loan. The Rotary Loans are also not shown on the above amortization schedule as there is no fixed repayment schedule for these outstanding loans.

In connection with the OWDA loans listed above, 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 are payable, through their final maturities as listed above, solely from net revenues. Total interest and principal remaining to be paid on these loans is \$74,094,477 at December 31, 2009 and \$80,315,821 at December 31, 2008. For the year ended December 31, 2009, net revenue available, principal and interest paid and the coverage ratio is as follows: \$2,806,744, \$6,581,027, and 0.43, respectively. For the year ended December 31, 2008, net revenue available, principal and interest paid and the coverage ratio is as follows: \$2,290,872, \$6,690,122, and 0.34, respectively.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

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**NOTE I - DEFINED BENEFIT RETIREMENT PLAN**

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
  - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2009 and 2008, and 9.5% for 2007 for the SWLCWSD.

The employer contribution rates were 14.0% for 2009 and 2008, and 13.85% for 2007 of covered payroll for the SWLCWSD.

SWLCWSD's contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were \$133,252, \$130,610, and \$130,505, respectively, which were the required contributions for those years.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

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**NOTE J - POSTEMPLOYMENT BENEFITS**

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment healthcare coverage.

In order to qualify for post-retirement healthcare coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement healthcare benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009 and 2008, the SWLCWSD contributed at 14% of covered payroll. In 2007 the SWLCWSD contributed at 13.85% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment healthcare benefits.

For 2009, the employer contributions allocated to the healthcare plan from January 1 through March 31, 2009 and April 1 through December 31, 2009 was 7.0% and 5.5%, respectively. For 2008, the employer contributions allocated to the healthcare plan was 7.0% of covered payroll. For 2007, the employer contributions allocated to the healthcare plan from January 1 through June 30, 2007 and July 1, 2007 through December 31, 2007 was 5.0% and 6.0%, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$69,006 for 2009, \$65,305 for 2008, and \$51,823 for 2007.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the healthcare plan.



Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
For the Years Ended December 31, 2009 and 2008

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**NOTE K - RISK MANAGEMENT**

The SWLCWSD is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For years ended December 31, 2009 and 2008 the SWLCWSD contracted for the following insurance coverage:

General Liability	\$2,000,000
Public Officials	1,000,000
Inland Marine	469,339
Automobile	1,000,000
Faithful Performance and Employee Bond	100,000
Health	1,000,000

Vehicle policies include liability coverage for bodily injury and property damage.

Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The SWLCWSD pays all elected officials' bonds.

The SWLCWSD has not incurred significant reductions to insurance coverage from coverage in the prior years by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE L - RELATED PARTY TRANSACTIONS**

No related party transactions existed at December 31, 2009 and 2008.

**NOTE M - CONTINGENT LIABILITIES**

During the years ended December 31, 2009 and 2008, SWLCWSD was involved in several legal actions. The outcome of such litigation is not known at the present time. Management does not believe that the financial impact, if any, of these legal actions would have a material effect on the basic financial statements of SWLCWSD.

**NOTE N - DEBT SERVICE FEE**

The SWLCWSD has a debt service fee which was \$11.95 and \$12.95 per month per sewer customer during 2009 and 2008, respectively. This fee was implemented to assist the SWLCWSD in meeting its debt service requirements. The proceeds of the fee are restricted to the payment of principal and interest on sewer debt. During 2009 and 2008 the SWLCWSD collected \$946,548 and \$947,490 in debt service fees and expended more than \$4 million both years in principal and interest payments on sewer related debt.

**NOTE O - INSPECTION INCOME**

Inspection income represents amounts charged to construction costs of projects for inspections performed by SWLCWSD employees. The income offsets operation expenses, including gross wages, payroll taxes, PERS expenses, and mileage.

**NOTE P - MISCELLANEOUS INCOME**

Miscellaneous income includes water hauling, contractor licenses, and other miscellaneous revenue.

Southwest Licking Community Water and Sewer District  
 Licking County, Ohio  
 Notes to the Basic Financial Statements - Continued  
 For the Years Ended December 31, 2009 and 2008

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**NOTE Q - INTEREST EXPENSE**

Interest expense for the water and sewer divisions represent the interest portion of construction loan payments to the Ohio Water Development Authority for water and sewer and the loan with Park National Bank. Interest expense is detailed in the following schedule:

	<b>2009</b>	<b>2008</b>
OWDA- Water	\$ 995,306	\$ 1,314,780
OWDA- Sewer	2,446,156	2,347,682
Park National Bank	2,111	16,826
Total interest expense	<b>\$ 3,443,573</b>	<b>\$ 3,679,288</b>

**NOTE R – SUBSEQUENT EVENTS**

No events were noted subsequent to December 31, 2009 through April 1, 2010 which would have a significant effect on the financial statements.

**NOTE S – CONTRACT COMMITMENTS**

As of December 31, 2009, the SWLCWSD had significant contractual purchase commitments for the construction of the Flying J Waterline and York/Refugee Lift Station projects as follows:

Contractor	Contract Amount	Amount Expended	Balance at 12/31/2009
Law General	\$ 298,511	\$ -	\$ 298,511
Beheler Excavating	951,671	247,614	704,057
Total	<b>\$ 1,250,182</b>	<b>\$ 247,614</b>	<b>\$ 1,002,568</b>

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

Southwest Licking Community Water and Sewer District  
69 Zellars Lane  
Pataskala, Ohio 43062

To the Board of Trustees:

We have audited the accompanying financial statements of the Southwest Licking Community Water and Sewer District, Licking County, Ohio (the "District"), as of and for the year ended December 31, 2009 and December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 7, 2010.

Southwest Licking Community Water and Sewer District  
Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and  
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We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Kennedy Cottrell Richards LLC  
May 7, 2010



**Mary Taylor, CPA**  
Auditor of State

**SOUTHWEST LICKING WATER AND SEWER DISTRICT**

**LICKING 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 24, 2010**