

Southwest Licking Community Water and Sewer District  
Licking County, Ohio

Basic Financial Statements

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For the Years Ended December 31, 2008 and 2007



**Balestra, Harr & Scherer Consulting, LLC.**

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Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
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For the Years Ended December 31, 2008 and 2007

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April 9, 2007

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

### **INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

We have compiled the accompanying basic financial statements of the business-type activities of Southwest Licking Community Water and Sewer District, Licking County, Ohio, as of and for the years ended December 31, 2008 and 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis on pages 3 through 5 and the Schedules of Revenues, Expenses and Other Income (Expenses) – Water, Schedules of Revenues, Expenses and Other Income (Expenses) – Wastewater Treatment Plan, Schedules of Expenses – Collection, Schedules of Expenses and Other Income (Expenses) – Administration, and the Schedules of Expenses – Engineering on pages 31 through 35 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Balestra, Harr & Scherer, Consulting, LLC

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Years Ended December 31, 2008 and 2007

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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, 2008 by \$9.6 million and on December 31, 2007 by \$12.3 million. The District's net assets decreased by \$2.7 million (-21.7%) in 2008 and by \$2.1 million (-14.7%) in 2007.

The District's operating revenues increased by \$277 thousand (6.3%) in 2008 and by \$401 thousand (10.1%) in 2007. Operating expenses (excluding depreciation and amortization expenses) increased \$153 thousand (7.0%) in 2008 and by \$23 thousand (1.0%) in 2007. Depreciation and amortization expense increased \$23 thousand (0.6%) in 2008 and by \$141 thousand (3.9%) in 2007. The District's non-operating revenues decreased by \$826 thousand (-24.8%) in 2008 and by \$1.1 million (-24.5%) in 2007.

The District issued an additional \$.35 million of long term debt in 2008 and \$.42 million of long term debt in 2007.

### **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>2008</u>	<u>2007</u>	<u>Change Amount</u>	<u>2006</u>	<u>Change Amount</u>
Current and Other Assets	\$ 17,222,313	\$ 19,306,526	\$ (2,084,213)	\$ 20,911,044	\$(1,604,518)
Restricted Assets	45,800	45,800	-	45,800	-
Capital Assets	<u>57,653,584</u>	<u>60,940,882</u>	<u>(3,287,298)</u>	<u>63,991,791</u>	<u>(3,050,909)</u>
<b>Total Assets</b>	<u>74,921,697</u>	<u>80,293,208</u>	<u>(5,371,511)</u>	<u>84,948,635</u>	<u>\$(4,655,427)</u>
Long Term Liabilities	63,372,105	66,275,327	(2,903,222)	68,928,822	(2,653,495)
Current and Other Liabilities	<u>1,950,883</u>	<u>1,764,723</u>	<u>186,160</u>	<u>1,660,325</u>	<u>104,398</u>
<b>Total Liabilities</b>	<u>65,322,988</u>	<u>68,040,050</u>	<u>(2,717,062)</u>	<u>70,589,147</u>	<u>(2,549,097)</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	(2,690,484)	(2,341,095)	(349,389)	(1,886,556)	(454,539)
Restricted	45,800	45,800	-	45,800	-
Unrestricted	<u>12,243,393</u>	<u>14,548,453</u>	<u>(2,305,060)</u>	<u>16,200,244</u>	<u>(1,651,791)</u>
<b>Total Net Assets</b>	<u>\$ 9,598,709</u>	<u>\$ 12,253,158</u>	<u>\$ (2,654,449)</u>	<u>\$ 14,359,488</u>	<u>\$(2,106,330)</u>

The District's net assets decreased by \$2.7 million (-21.7%) in 2008 and by \$2.1 million (-14.7%) in 2007.

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. 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.

The decrease in 2007 is primarily due to the decrease in total assets of approximately \$4.7 million which was partially offset by a decrease in total liabilities of approximately \$2.5 million. The decrease in total assets is mainly due to a decrease in cash and net capital assets. 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.

Restricted net assets remained the same in 2008 and 2007. Restricted net assets consist of cash deposits in escrow accounts for contractor bonds.

Unrestricted net assets decreased by \$2.3 million (-15.8%) in 2008 and by \$1.7 million (-10.3%) in 2007. Unrestricted net assets may be used without constraints established by legal requirements. Cash and cash equivalents decreased \$1.7 million (-57.4%) in 2008 and by \$1.1 million (-27.0%) in 2007.

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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>2008</u>	<u>2007</u>	<u>Change</u>	<u>2006</u>	<u>Change</u>
Operating Revenues	\$4,649,165	\$4,372,114	\$277,051	\$3,970,636	\$401,478
Operating Expenses (Excluding Depreciation & Amortization)	2,358,293	2,204,995	153,298	2,182,146	22,849
Depreciation & Amortization	3,789,646	3,766,666	22,980	3,625,618	141,048
<b>Total Operating Expenses</b>	<b><u>6,147,939</u></b>	<b><u>5,971,661</u></b>	<b><u>176,278</u></b>	<b><u>5,807,764</u></b>	<b><u>163,897</u></b>
Operating Loss	(1,498,774)	(1,599,547)	100,773	(1,837,128)	237,581
Non-Operating Revenues	2,501,134	3,327,274	(826,140)	4,404,655	(1,077,381)
Non-Operating Expenses	3,679,288	3,835,239	(155,951)	3,987,612	(152,373)
Capital Contributions	22,479	1,182	21,297	0	1,182
<b>Changes in Net Assets</b>	<b>(2,654,449)</b>	<b>(2,106,330)</b>	<b>(548,119)</b>	<b>(1,420,085)</b>	<b>(686,245)</b>
<b>Net Assets at Beginning of Year</b>	<b><u>12,253,158</u></b>	<b><u>14,359,488</u></b>	<b><u>(2,106,330)</u></b>	<b><u>15,779,573</u></b>	<b><u>(1,420,085)</u></b>
<b>Net Assets at End of Year</b>	<b><u><u>\$9,598,709</u></u></b>	<b><u><u>\$12,253,158</u></u></b>	<b><u><u>(\$2,654,449)</u></u></b>	<b><u><u>\$14,359,488</u></u></b>	<b><u><u>\$ (2,106,330)</u></u></b>

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.

Operating revenues increased \$401 thousand (10.1%) in 2007. The increase in 2007 was primarily the result of rate increases and additional customers. Non-operating revenues decreased \$1.1 million (-24.5%) in 2007 which is primarily due to decreased tap fee income of \$1.2 million which was partially offset by the gain on the sale of capital assets of \$161 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. There were capital contributions of \$1,182 in 2007 (an increase from \$0 in 2006). 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.

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Operating expenses, excluding depreciation and amortization, increased \$23 thousand (1.0%) in 2007. Basic wage increases and associated fringe benefits, increased expenses for chemicals and operating supplies and increased depreciation expenses were partially offset by lower costs for repairs and maintenance, legal fees, and audit costs (associated with the audit which occurs every two years), as well as other less significant changes.

**CAPITAL ASSETS**

The District had \$98.3 million invested in capital assets (before accumulated depreciation of \$40.6 million) at the end of 2008. This amount is an increase of \$0.4 million (0.5%) from the previous year. The District had two projects (Wellfield Management System and York Road – Chemical Feed) go into service during 2008. Additional information regarding capital assets can be found in Note F to the basic financial statements.

**Table 3**

	<b>2008</b>	<b>2007</b>	<b>Change Amount</b>	<b>2006</b>	<b>Change Amount</b>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 914,738	\$ 914,738	\$ -	\$ 1,008,464	\$ (93,726)
Land Easements	333,272	333,272	-	333,272	-
Construction in Progress	913,095	666,771	246,324	701,684	(34,913)
Total Capital Assets Not Being Depreciated	<u>2,161,105</u>	<u>1,914,781</u>	<u>246,324</u>	<u>2,043,420</u>	<u>(128,639)</u>
<b>Capital Assets Being Depreciated (Net of Accumulated Depreciation):</b>					
Land Improvements	24,867	26,896	(2,029)	28,925	(2,029)
Facilities, Lines & Related Infrastructure	52,550,767	55,842,622	(3,291,855)	58,590,142	(2,747,520)
Donated Developer Lines	2,564,073	2,726,935	(162,862)	2,884,995	(158,060)
Vehicles	521	16,968	(16,447)	37,580	(20,612)
Office Furniture and Equipment	83,533	105,525	(21,992)	104,313	1,212
General Equipment	259,015	295,858	(36,843)	288,731	7,127
Safety Equipment	9,703	11,297	(1,594)	13,685	(2,388)
Total Capital Assets Being Depreciated (Net)	<u>55,492,479</u>	<u>59,026,101</u>	<u>(3,533,622)</u>	<u>61,948,371</u>	<u>(2,922,270)</u>
<b>Net Capital Assets</b>	<b><u>\$ 57,653,584</u></b>	<b><u>\$ 60,940,882</u></b>	<b><u>\$ (3,287,298)</u></b>	<b><u>\$ 63,991,791</u></b>	<b><u>\$ (3,050,909)</u></b>

Southwest Licking Community Water and Sewer District  
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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>2008</b>	<b>2007</b>	<b>Change Amount</b>	<b>2006</b>	<b>Change Amount</b>
OWDA Loans	\$ 58,537,232	\$ 61,215,765	\$(2,678,533)	\$ 63,559,023	\$(2,343,258)
OPWC Loans	1,072,102	1,175,588	(103,486)	1,279,074	(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	317,849	(155,891)	467,474	(149,625)
<b>Total Long Term Debt</b>	<b>60,344,068</b>	<b>63,281,978</b>	<b>(2,937,910)</b>	<b>65,878,347</b>	<b>(2,596,369)</b>
Less: Current Maturities	1,740,429	1,637,515	102,914	1,517,621	119,894
<b>Net Total Long Term Debt</b>	<b>\$ 58,603,639</b>	<b>\$ 61,644,463</b>	<b>\$(3,040,824)</b>	<b>\$ 64,360,726</b>	<b>\$(2,716,263)</b>

**CASH**

Cash and cash equivalents on December 31, 2008 and 2007 were \$1.3 million and \$3.0 million, respectively. \$46 thousand of these funds in 2008 and 2007 are 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**

**Statements of Net Assets  
As of December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash in checking	\$ 1,270,741	\$ 2,983,830
Petty cash	250	250
Intergovernmental Receivable	7,514	8,008
Accounts receivable - operating billings less allowance for doubtful accounts (\$150,000 in 2008 and \$150,000 in 2007)	609,969	538,156
Prepaid insurance	39,946	38,739
Meter inventory	10,933	12,532
Total current assets	1,939,353	3,581,515
<b>Noncurrent assets:</b>		
Restricted Assets:		
Cash in savings-contractor bonds	45,800	45,800
Total restricted assets	45,800	45,800
<b>Capital Assets, net of Accumulated Depreciation</b>	57,653,584	60,940,882
<b>Other Assets:</b>		
Loan fees, net of \$1110,835 and \$103,829 accumulated amortization for 2008 and 2007 respectively	106,788	113,794
Jefferson water tap rights, net of \$119,047 and \$110,979 accumulated amortization for 2008 and 2007 respectively	56,098	64,166
Assessment receivables-water	7,004,958	7,166,758
Assessment receivables-sewer	8,115,116	8,380,293
Total other assets	15,282,960	15,725,011
<b>Total Assets</b>	\$ 74,921,697	\$ 80,293,208

See Accountant's Compilation Report.

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

**Southwest Licking Community Water and Sewer District  
Licking County**

**Statements of Net Assets - Continued  
As of December 31, 2008 and 2007**

<b>LIABILITIES</b>	<u>2008</u>	<u>2007</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 99,886	\$ 32,237
Note payable - current portion	1,740,429	1,637,515
Deposits payable to developers	8,595	3,230
Contractor bonds payable	45,800	43,800
Accrued employee wages	27,500	24,309
Accrued interest payable	10,439	8,008
Payroll taxes accrued and withheld	<u>18,234</u>	<u>15,624</u>
Total current liabilities	<u>1,950,883</u>	<u>1,764,723</u>
<b>Long Term Liabilities</b>		
Compensated absences	150,503	140,020
Deferred revenue-special assessments	4,617,963	4,490,844
Notes and recoupment agreements payable	<u>58,603,639</u>	<u>61,644,463</u>
Total long term liabilities	<u>63,372,105</u>	<u>66,275,327</u>
<b>Total Liabilities</b>	<u>65,322,988</u>	<u>68,040,050</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	(2,690,484)	(2,341,096)
Restricted	45,800	45,800
Unrestricted	<u>12,243,393</u>	<u>14,548,454</u>
Total net assets	<u>\$ 9,598,709</u>	<u>\$ 12,253,158</u>

See Accountant's Compilation Report.

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

**Southwest Licking Community Water and Sewer District  
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**Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 4,450,430	\$ 4,229,118
Late charges	198,735	142,996
Total Operating Revenues	4,649,165	4,372,114
<b>OPERATING EXPENSES</b>		
Salaries	944,881	912,847
Training	2,860	3,910
Medicare tax expense	13,524	13,117
P.E.R.S. expense	130,610	125,434
Workers compensation	13,635	13,050
Operations and testing	32,536	28,080
Chemicals and operating supplies	190,330	143,991
Biosolids Processing	45,625	42,430
Refuse	3,104	3,007
Equipment rental	3,352	1,969
Repairs and maintenance	290,281	261,362
Engineering	-	1,511
Legal	12,186	15,267
Accounting	11,460	10,927
Professional fees - software	1,620	720
Board designated expenses	391	1,257
Audit fees	18,644	-
Advertising and communications	1,117	2,428
Insurance:		
General	40,971	40,734
Health	152,485	173,638
Life	2,449	3,303
Telephone	24,789	30,405
Utilities	301,774	270,841
Office supplies	17,453	21,104
Cleaning	-	2,800
Postage	37,463	38,716
Real Estate Taxes	10,590	4,109
Security	344	331
Uniform rental	2,662	1,493
Small tools	719	1,658
Vehicle expense	800	566
Collection and bank fees	16,962	1,241
Dues and subscriptions	2,178	1,378
Licenses	30,065	30,555
General manager discretionary	433	816
Depreciation	3,774,573	3,751,593
Amortization	15,073	15,073
Total operating expenses	6,147,939	5,971,661
Operating loss	(1,498,774)	(1,599,547)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Debt service fee income	947,490	917,927
Inspection revenue	450	2,430
Tap fee income	638,437	1,164,659
Interest income	847,757	1,016,393
Intergovernmental	15,522	16,477
Miscellaneous income	51,478	48,113
Gain on sale of capital assets	-	161,275
Interest expense	(3,679,288)	(3,835,239)
Total non-operating revenues (expenses)	(1,178,154)	(507,965)
Changes in net assets before capital contributions	(2,676,928)	(2,107,512)
Capital contributions - special assessments	22,479	1,182
Changes in net assets	(2,654,449)	(2,106,330)
Net assets, beginning of year	12,253,158	14,359,488
Net assets, end of year	\$ 9,598,709	\$ 12,253,158

See Accountant's Compilation Report.

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

**Southwest Licking Community Water and Sewer District  
Licking County**

**Statements of Cash Flows  
For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 4,577,352	\$ 4,355,720
Cash payments to suppliers for goods and services	(1,032,668)	(960,310)
Cash payments for employee services and benefits	(1,241,300)	(1,241,917)
Net cash provided by operating activities	2,303,384	2,153,493
<b>Cash Flows from Investing Activities:</b>		
Interest income from savings	65,304	213,168
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Payments for planning and construction, including capitalized interest	(474,346)	(720,796)
Assessment principal payments received	576,683	561,208
Proceeds from sale of capital assets	-	255,000
Intergovernmental revenue	16,016	8,469
Debt service fees collected	947,490	917,927
Increase (Decrease) in contractor retainage payable	2,000	-
Increase (Decrease) in developer deposits	5,365	(2,830)
Purchase of equipment and furniture	(13,036)	(73,614)
Construction loan proceeds	346,758	422,147
Principal repayments on loans	(3,284,668)	(3,018,516)
Interest repayments on loans	(3,676,857)	(3,836,310)
Assessment interest income	782,453	803,225
Inspection, tap fee and miscellaneous income	690,365	1,215,202
Net cash provided by capital and related financing activities	(4,081,777)	(3,468,888)
Net decrease in cash and cash equivalents	(1,713,089)	(1,102,227)
Cash and cash equivalents at beginning of year	3,029,880	4,132,107
Cash and cash equivalents at end of year	\$ 1,316,791	\$ 3,029,880

(Continued on following page)

**Southwest Licking Community Water and Sewer District  
Licking County**

**Statements of Cash Flows - Continued  
For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>		
Operating loss	\$ (1,498,774)	\$ (1,599,547)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</b>		
Depreciation and amortization	3,789,646	3,766,666
<b>Changes in Assets and Liabilities:</b>		
(Increase) decrease in accounts receivable	(71,813)	(16,394)
(Increase) decrease in prepaid insurance	(1,207)	(167)
(Increase) decrease in meter inventory	1,599	11,905
Increase (Decrease) in accounts payable (operating)	67,649	(5,139)
Increase (Decrease) in compensated absences	10,483	3,125
Increase (decrease) in accrued wages, benefits and payroll taxes	5,801	(6,956)
Total adjustments	3,802,158	3,753,040
Net cash provided by operating activities	\$ 2,303,384	\$ 2,153,493

See Accountant's Compilation Report.

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

**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 balance sheet.

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 set up an allowance for doubtful accounts for fiscal years 2008 and 2007. 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.

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 2008 and 2007 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 2008 and 2007 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 2008 and 2007, 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 \$45,800 in restricted net assets as of both December 31, 2008 and December 31, 2007, 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 both December 31, 2008 and 2007 was \$45,800.

**NOTE D - EQUITY IN POOLED CASH 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 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

Interim deposits are deposits of interim monies. 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  
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Notes to the Basic Financial Statements - Continued  
December 31, 2008 and 2007

**NOTE D - EQUITY IN POOLED CASH 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, 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. As of December 31, 2007, SWLCWSD's bank balance of \$1,413,713 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, 2008 and December 31, 2007, SWLCWSD had the following investments and maturities:

	2008		2007	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreements	\$ 3,600,974	0	\$ 5,029,732	0
Total Fair Value	\$ 3,600,974		\$ 5,029,732	

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  
December 31, 2008 and 2007

**NOTE E - INTEREST INCOME**

Interest income came from the following sources:

	<b>2008</b>	<b>2007</b>
Interest income from repurchase agreements and savings accounts	\$ 65,304	\$ 213,168
Interest income from assessments, accrued and collected	782,453	803,225
Total interest income	\$ 847,757	\$ 1,016,393

**NOTE F – CAPITAL ASSETS**

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	1,914,781	416,839	(170,515)	2,161,105
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	95,914,226	240,951	(42,000)	96,113,177
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	(36,888,125)	(3,774,573)	42,000	(40,620,698)
Total Capital Assets Being Depreciated, Net	59,026,101	(3,533,622)	-	55,492,479
Total Capital Assets	\$ 60,940,882	\$ (3,116,783)	\$ (170,515)	\$ 57,653,584

Southwest Licking Community Water and Sewer District  
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Notes to the Basic Financial Statements - Continued  
December 31, 2008 and 2007

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

Capital assets activity for the fiscal year ended December 31, 2007 was as follows:

	Ending Balance 12/31/06	Additions	Deletions	Ending Balance 12/31/07
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 1,008,464	\$ -	\$ (93,726)	\$ 914,738
Land Easements	333,272	-	-	333,272
Construction in Progress	701,684	506,892	(541,805)	666,771
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,043,420</b>	<b>506,892</b>	<b>(635,531)</b>	<b>1,914,781</b>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	32,000	-	-	32,000
Facilities, Lines & Related Infrastructure	89,973,332	755,709	-	90,729,041
Donated Developer Lines	4,071,548	-	-	4,071,548
Vehicles	189,061	-	-	189,061
Office Furniture and Equipment	237,874	23,991	-	261,865
General Equipment	555,685	49,623	-	605,308
Safety Equipment	25,403	-	-	25,403
<b>Total Capital Assets, Being Depreciated</b>	<b>95,084,903</b>	<b>829,323</b>	<b>-</b>	<b>95,914,226</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(3,075)	(2,029)	-	(5,104)
Facilities, Lines & Related Infrastructure	(31,383,190)	(3,503,229)	-	(34,886,419)
Donated Developer Lines	(1,186,553)	(158,060)	-	(1,344,613)
Vehicles	(151,480)	(20,613)	-	(172,093)
Office Furniture and Equipment	(133,561)	(22,779)	-	(156,340)
General Equipment	(266,955)	(42,495)	-	(309,450)
Safety Equipment	(11,718)	(2,388)	-	(14,106)
<b>Total Accumulated Depreciation</b>	<b>(33,136,532)</b>	<b>(3,751,593)</b>	<b>-</b>	<b>(36,888,125)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>61,948,371</b>	<b>(2,922,270)</b>	<b>-</b>	<b>59,026,101</b>
<b>Total Capital Assets</b>	<b>\$ 63,991,791</b>	<b>\$ (2,415,378)</b>	<b>\$ (635,531)</b>	<b>\$ 60,940,882</b>

**NOTE G - ACCOUNTS AND ASSESSMENTS RECEIVABLE**

Account receivable balances at December 31, 2008 and 2007 for operating billings are as follows:

	<b>2008</b>	<b>2007</b>
Current	\$ 516,150	\$ 384,757
Over 30 days	39,527	113,371
Over 60 days	51,693	53,623
Over 90 days	152,599	136,405
Gross Receivables	759,969	688,156
Less: Allowance for Doubtful Accounts	(150,000)	(150,000)
<b>Net Accounts Receivable</b>	<b>\$ 609,969</b>	<b>\$ 538,156</b>

Southwest Licking Community Water and Sewer District  
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Notes to the Basic Financial Statements - Continued  
December 31, 2008 and 2007

**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, 2008 and 2007, 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, 2008 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	\$ 995,707	63.78%
Summit Station Phase I-S (8005)	1,655,693	530,607	370,358	54.42%
Summit Stateion Phase I-W (8006)	1,792,334	621,931	456,937	60.19%
US 40 Etna-S (8008)	1,677,521	473,285	455,244	55.35%
Summit Station Phase II-S (8011)	910,264	398,382	125,877	57.59%
Summit Station Phase II-W (8016)	413,798	216,465	77,626	71.07%
US 40 Water Treatment-W (8017)	973,786	270,203	225,780	50.93%
Etna SR 40 Environs-W (8018)	1,237,781	532,621	313,049	68.32%
Etna SR 40 Environs-S (8019)	1,699,257	683,485	352,999	61.00%
Columbia Center-S (8020)	945,160	232,455	270,783	53.24%
York/Blacks/Outville Roads-W (8023A)	1,012,860	305,308	47,482	34.83%
York/Blacks/Outville Roads-W (8023B)	810,685	285,815	221,977	62.64%
Russell Heights-S (10033)	343,851	201,536	44,887	71.67%
New England/Russell/Mink-W (10034)	824,753	423,260	140,552	68.36%
Summit Rd and SR 40-W (10079)	1,003,390	225,070	244,703	46.82%
York Rd.-W (10119)	23,062	11,245	4,016	66.17%
Columbia Rd. and Refugee-S (10187)	188,545	48,071	52,422	53.30%
SR 310/Refugee/Smoke-W (10217)	444,505	124,407	68,476	43.39%
Havens Corners Rd.-W (10219)	67,765	10,793	(10,943)	-0.22%
SR 16 Belmar to Summit-S (10221)	139,925	71,947	24,268	68.76%
SR 16 Belmar to Summit-W (10235)	125,519	76,367	13,937	71.94%
Watkins to I 70-W (10259)	62,439	13,586	18,138	50.81%
Blacks Outville Rd.-S (8013)	1,326,907	548,381	209,517	57.12%
SR 310 N. or US 40-S (10083)	120,113	34,743	11,753	38.71%
Fursville/Columbia Center-W (10139)	837,835	190,781	139,732	39.45%
Watkins N. from US 40-S (10218)	29,073	16,056	18,625	119.29%
SR 16/Charles/Daley-S (10220)	459,210	218,320	84,731	65.99%
Subtotal	<u>\$ 22,899,841</u>	<u>\$ 8,176,265</u>	<u>\$ 4,978,633</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	\$ 64,678	66.60%
Watkins and Blacks Rd. W (10234)	414,399	194,906	58,587	61.17%
SR 16/Charles and Daley W (10236)	414,872	159,103	88,436	59.67%
Happy Homes/Sunshine S (10279)	393,199	123,937	71,160	49.62%
Hillside Farm Estates S (10287)	243,283	143,461	25,206	69.33%
Ashcraft/Pine Oak/Indian Hills W (10310)	902,061	271,310	150,516	46.76%
Ashcraft/Pine Oak/Indian S (10317)	825,771	263,521	153,134	50.46%
York/US 40 to Refugee S (10319)	108,767	3,434	21,211	22.66%
Sunshine/Happy Homes W (10326)	472,450	124,467	92,232	45.87%
SR 310 and Tatman S (10375)	283,684	182,270	33,038	75.90%
Columbia Rd. S (10460)	93,464	71,068	6,723	83.23%
Columbia/Refugee Rds. W (10461)	69,486	43,550	7,799	73.90%
Lynns Road S (10549)	141,971	46,431	62,634	76.82%
Lynns Road W (10550)	95,610	32,900	11,163	46.09%
SR 310/US 40 to Refugee W (10551)	185,938	69,876	21,070	48.91%
Cleveland Rd. / Mink St. S (10222)	690,562	270,510	107,445	54.73%
Palmer Rd./W. Etna Twp. S (10231)	713,789	319,578	106,204	59.65%
Palmer Rd./W. Etna Twp. W (10232)	728,634	315,932	119,504	59.76%
Palmer Road Sant. Sewer Est. (11003)	224,200	116,269	21,065	61.26%
Palmer Road Water Line Est. (11004)	177,424	93,744	21,404	64.90%
Beaver Water Line (11008)	16,413	-	2,547	15.52%
Subtotal	7,661,836	3,091,855	1,245,756	
Subtotal from previous page	22,899,841	8,176,265	4,978,633	
Total	\$ 30,561,677	\$ 11,268,120	\$ 6,224,389	
Net assessment receivable 12/31/08	\$ 15,120,074			
Net assessment receivable 12/31/07	\$ 15,547,051			

The net assessment receivable includes accrued interest of \$2,050,906 and \$1,901,200 on the deferred assessments receivable at both December 31, 2008 and 2007, 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.

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**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%.

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, 2007 and 2008 are summarized below:

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Amount Due Within One Year
O.W.D.A	\$ 63,559,023	\$ 422,147	\$ 2,765,405	\$ 61,215,765	\$ 1,377,870
O.P.W.C	1,279,074	-	103,486	1,175,588	103,487
Rotary	346,941	-	-	346,941	-
Highland Hills Recoupment	225,835	-	-	225,835	-
Park National Bank	467,474	-	149,625	317,849	156,158
Compensated Absences	136,895	140,020	136,895	140,020	-
	<u>\$ 66,015,242</u>	<u>\$ 562,167</u>	<u>\$ 3,155,411</u>	<u>\$ 63,421,998</u>	<u>\$ 1,637,515</u>

	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	\$ 1,474,984
O.P.W.C	1,175,588	-	103,486	1,072,102	103,487
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>\$ 1,740,429</u>

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
December 31, 2008 and 2007

**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 2009</u>	<u>Principal Due after 2009</u>
1865	O.W.D.A.	7.54	1/1/1994	25 yrs.	\$ 50,671	\$ 1,335,006
1866	O.W.D.A.	6.24	1/1/1994	25 yrs.	5,308	130,882
1867	O.W.D.A.	7.45	1/1/1994	25 yrs.	57,252	1,501,487
1868	O.W.D.A.	6.61	1/1/1994	25 yrs.	9,631	241,996
1869	O.W.D.A.	6.61	1/1/1995	25 yrs.	98,929	2,861,140
3019	O.W.D.A.	6.85	1/1/1995	25 yrs.	89,072	2,611,408
3020	O.W.D.A.	6.02	1/1/1995	25 yrs.	7,177	200,797
3021	O.W.D.A.	5.77	1/1/1995	25 yrs.	4,582	126,399
3025	O.W.D.A.	6.75	7/1/1995	25 yrs.	71,657	2,160,578
3039	O.W.D.A.	6.51	7/1/1995	25 yrs.	29,090	865,715
3040	O.W.D.A.	5.77	7/1/1996	25 yrs.	4,809	155,284
3041	O.W.D.A.	6.51	7/1/1995	25 yrs.	39,714	1,181,897
3043	O.W.D.A.	6.24	7/1/1995	25 yrs.	60,699	1,779,877
3048	O.W.D.A.	6.24	7/1/1995	25 yrs.	1,526	44,745
3053	O.W.D.A.	6.16	7/1/1995	25 yrs.	2,549	74,432
3054	O.W.D.A.	6.16	7/1/1995	25 yrs.	8,531	249,084
3055	O.W.D.A.	6.16	7/1/1995	25 yrs.	25,498	744,451
3063	O.W.D.A.	6.16	1/1/1996	25 yrs.	19,211	615,833
3064	O.W.D.A.	6.16	1/1/1996	25 yrs.	3,521	112,857
3079	O.W.D.A.	6.02	1/1/1996	25 yrs.	48,599	1,544,497
3080	O.W.D.A.	6.02	1/1/1996	25 yrs.	23,627	750,836
3105	O.W.D.A.	5.77	1/1/1996	25 yrs.	8,098	253,385
3106	O.W.D.A.	5.77	1/1/1996	25 yrs.	5,824	182,238
2005	O.W.D.A.	5.90	7/1/1996	25 yrs.	29,910	973,390
2930	O.W.D.A.	5.90	7/1/1996	25 yrs.	16,396	533,597
2956	O.W.D.A.	6.64	1/1/1997	25 yrs.	3,357	125,415
2957	O.W.D.A.	6.64	1/1/1997	25 yrs.	11,020	411,642
2969	O.W.D.A.	6.72	1/1/1997	25 yrs.	20,080	754,174
2970	O.W.D.A.	6.72	1/1/1997	25 yrs.	78,071	2,932,261
2971	O.W.D.A.	6.36	1/1/1997	25 yrs.	7,431	272,329
2093	O.W.D.A.	6.87	7/1/1997	25 yrs.	80,360	3,129,487
2094	O.W.D.A.	6.87	7/1/1997	25 yrs.	83,619	3,256,432
2095	O.W.D.A.	6.36	1/1/1998	25 yrs.	25,399	1,044,097
2096	O.W.D.A.	6.36	1/1/1998	25 yrs.	12,711	522,530
2099	O.W.D.A.	6.32	7/1/1999	25 yrs.	11,994	560,161
2101	O.W.D.A.	6.11	7/1/1999	25 yrs.	26,523	1,218,592
Subtotal					<u>\$ 1,082,446</u>	<u>\$ 35,458,931</u>

Southwest Licking Community Water and Sewer District  
 Licking County, Ohio  
 Notes to the Basic Financial Statements - Continued  
 December 31, 2008 and 2007

**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 2009</u>	<u>Principal Due after 2009</u>
2103	O.W.D.A.	6.11	7/1/1999	25 yrs.	19,327	887,982
2174	O.W.D.A.	5.77	1/1/2002	25 yrs.	11,417	663,697
3279	O.W.D.A.	6.41	1/1/2002	25 yrs.	62,949	3,897,969
3682	O.W.D.A.	5.20	7/1/2004	25 yrs.	35,882	2,437,057
3683	O.W.D.A.	5.20	7/1/2004	25 yrs.	10,587	719,061
3756	O.W.D.A.	3.59	1/1/2005	20 yrs.	177,879	5,463,571
3760	O.W.D.A.	4.84	7/1/2004	15 yrs.	24,419	594,362
3912	O.W.D.A.	4.28	1/1/2005	25 yrs.	30,054	1,911,507
3944	O.W.D.A.	4.35	1/1/2005	25 yrs.	6,132	393,129
4314	O.W.D.A.	3.99	7/1/2006	25 yrs.	-	1,779,224
4315	O.W.D.A.	3.99	1/1/2007	25 yrs.	-	1,403,581
4316	O.W.D.A.	3.99	1/1/2007	20 yrs.	13,892	679,972
4437	O.W.D.A.	3.99	7/1/2006	25 yrs.	-	295,326
4699	O.W.D.A.	3.67	1/1/2008	5 yrs.	-	193,952
4821	O.W.D.A.	4.61	7/1/2008	5 yrs.	-	282,926
CQ021	O.P.W.C	0.00	1/1/2000	20 yrs.	12,430	118,085
CQ616	O.P.W.C	0.00	7/1/1995	20 yrs.	24,067	120,335
CQ807	O.P.W.C	0.00	1/1/1997	20 yrs.	13,598	88,388
CQ808	O.P.W.C	0.00	1/1/1996	20 yrs.	11,818	64,997
CQ23D	O.P.W.C	0.00	1/1/2003	20 yrs.	17,339	225,407
CQ24E	O.P.W.C	0.00	1/1/2005	20 yrs.	24,235	351,404
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		5 yrs.	-	225,835
Park National Bank		3.95	12/19/2003	5 yrs.	161,958	-
Subtotal of this page					657,983	23,144,708
Subtotal of previous page					1,082,446	35,458,931
Totals					<u>\$ 1,740,429</u>	<u>\$ 58,603,639</u>

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
December 31, 2008 and 2007

**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
2009	\$ 1,474,985	\$ 1,662,086	\$ 3,137,071	\$ 103,487	\$ -	\$ 103,487
2010	3,087,413	3,186,731	6,274,144	103,487	-	103,487
2011	3,275,415	2,998,729	6,274,144	103,487	-	103,487
2012	3,475,242	2,798,901	6,274,143	103,487	-	103,487
2013	3,687,657	2,586,487	6,274,144	103,487	-	103,487
2014-2018	22,124,688	9,246,030	31,370,718	345,808	-	345,808
2019-2023	13,844,991	2,769,496	16,614,487	196,746	-	196,746
2024-2028	3,317,950	476,445	3,794,395	12,113	-	12,113
2029	293,880	8,695	302,575	-	-	-
Total	<u>\$ 54,582,221</u>	<u>\$ 25,733,600</u>	<u>\$ 80,315,821</u>	<u>\$ 1,072,102</u>	<u>\$ -</u>	<u>\$ 1,072,102</u>

Year Ending December 30,	Park National Bank			Total		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 161,958	\$ 4,785	\$ 166,743	\$ 1,740,430	\$ 1,666,871	\$ 3,407,301
2010	-	-	-	3,190,900	3,186,731	6,377,631
2011	-	-	-	3,378,902	2,998,729	6,377,631
2012	-	-	-	3,578,729	2,798,901	6,377,630
2013	-	-	-	3,791,144	2,586,487	6,377,631
2014-2018	-	-	-	22,470,496	9,246,030	31,716,526
2019-2023	-	-	-	14,041,737	2,769,496	16,811,233
2024-2028	-	-	-	3,330,063	476,445	3,806,508
2029	-	-	-	293,880	8,695	302,575
Total	<u>\$ 161,958</u>	<u>\$ 4,785</u>	<u>\$ 166,743</u>	<u>\$ 55,816,281</u>	<u>\$ 25,738,385</u>	<u>\$ 81,554,666</u>

Project loan agreements 4314, 4315, 4437, 4699, and 4821 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.

Southwest Licking Community Water and Sewer District  
Licking County, Ohio  
Notes to the Basic Financial Statements - Continued  
December 31, 2008 and 2007

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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 2008, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2008, 9.5% for 2007, and 9.0% for 2006 for the SWLCWSD.

The employer contribution rates were 14.0% for 2008, 13.85% for 2007, and 13.70% for 2006 of covered payroll for the SWLCWSD.

SWLCWSD's contributions to OPERS for the years ended December 31, 2008, 2007, and 2006, were \$130,610, \$130,505, and \$131,429, respectively.

**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 2008, the SWLCWSD contributed at 14% of covered payroll. In 2007 and 2006, the SWLCWSD contributed at 13.85% and 13.70% of covered payroll, respectively. 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 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. For 2006, the employer contributions allocated to the healthcare plan was 4.5%. 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 \$65,305 for 2008, \$51,823 for 2007, \$48,274 for 2006.
- 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, 2006, January 1, 2007 and January 1, 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  
December 31, 2008 and 2007

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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 fiscal years 2008 and 2007 the SWLCWSD contracted for the following insurance coverage:

- General Liability
- Public Officials
- Inland Marine
- Automobile
- Faithful Performance and Employee Bond
- Health

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, 2008 and 2007.

**NOTE M - CONTINGENT LIABILITIES**

During the fiscal years ended December 31, 2008 and 2007, SWLCWSD was involved in several legal actions. 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 \$12.95 per month per sewer customer during fiscal years 2008 and 2007. 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 fiscal years 2008 and 2007 the SWLCWSD collected \$947,490 and \$917,927 in debt service fees and expended more than \$3 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  
December 31, 2008 and 2007

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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:

	<u>2008</u>	<u>2007</u>
OWDA- Water	\$ 1,314,780	\$ 1,252,891
OWDA- Sewer	2,347,682	2,565,132
Park National Bank	<u>16,826</u>	<u>17,216</u>
Total interest expense	<u>\$ 3,679,288</u>	<u>\$ 3,835,239</u>

**NOTE R - SUBSEQUENT EVENTS**

On February 24, 2009, the Trustees passed a resolution approving a loan agreement in the amount of \$529,142 and a grant agreement in the amount of \$400,000 from the Ohio Public Works Commission for the York/Refugee Pump Station Upgrade and SSO Elimination Project.

**Southwest Licking Community Water and Sewer District  
Licking County**

**Schedules of Revenues, Expenses, Non-Operating Revenues (Expenses) and Capital Contributions - Water  
For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 1,438,523	\$ 1,381,852
Late charges	78,227	71,498
Total Operating Revenues	1,516,750	1,453,350
<b>OPERATING EXPENSES</b>		
Salaries	161,794	179,160
Training	383	120
Medicare tax expense	2,649	2,751
P.E.R.S. expense	25,381	26,276
Workers compensation	2,824	2,717
Operations and testing	16,994	10,829
Chemicals and operating supplies	155,318	113,581
Equipment rental	200	177
Repairs and maintenance	94,157	122,569
Advertising and communications	1,061	409
Insurance:		
Health	37,883	37,782
Telephone	4,560	4,818
Utilities	85,969	86,484
Office supplies	230	199
Uniform rental	789	704
Small tools	154	385
Dues and subscriptions	62	-
Licenses	11,086	10,259
Real Estate Taxes	10,590	4,109
Security	51	38
Depreciation	1,117,334	1,110,835
Amortization	7,006	7,006
TOTAL OPERATING EXPENSES	\$ 1,736,475	\$ 1,721,208
<b>NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS</b>		
Capital contributions - special assessments	22,479	1,182
Gain on sale of capital assets	-	161,275
Inspection revenue	310	1,360
Tap fee income	303,032	506,517
Interest income	373,970	453,121
Intergovernmental revenue	-	7,975
Interest expense	(1,314,780)	(1,252,891)
Miscellaneous income	49,076	44,983
TOTAL NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS	\$ (565,913)	\$ (76,478)

**Southwest Licking Community Water and Sewer District  
Licking County**

**Schedules of Revenues, Expenses and Other Non-Operating  
Revenues (Expenses) - Wastewater Treatment Plant  
For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Service revenues	\$ 3,011,907	\$ 2,847,266
Late charges	<u>120,508</u>	<u>71,498</u>
Total Operating Revenues	<u>3,132,415</u>	<u>2,918,764</u>
<b>OPERATING EXPENSES</b>		
Salaries	167,375	160,375
Training	402	461
Medicare tax expense	2,264	2,289
P.E.R.S. expense	21,858	21,861
Workers compensation	2,429	2,260
Operations and testing	15,542	17,251
Chemicals and operating supplies	15,595	13,331
Equipment rental	350	-
Repairs and maintenance	47,712	53,719
Biosolids Processing	45,625	42,430
Insurance:		
Health	22,993	22,108
Telephone	3,797	6,120
Utilities	138,071	112,643
Refuse	1,780	1,646
Office supplies	413	477
Uniform rental	588	495
Small tools	517	852
Dues and subscriptions	300	-
Licenses	6,226	6,122
Security	51	38
Depreciation	<u>821,414</u>	<u>828,017</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,315,302</u>	<u>\$ 1,292,495</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Debt service fee income	947,490	917,927
Inspection revenue	140	1,070
Tap fee income	335,405	658,142
Interest income	473,787	563,272
Intergovernmental	15,522	8,502
Interest expense	(2,347,682)	(2,565,132)
Miscellaneous income	<u>2,393</u>	<u>3,000</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ (572,945)</u>	<u>\$ (413,219)</u>

**Southwest Licking Community Water and Sewer District  
Licking County**

**Schedules of Expenses - Collection  
For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>OPERATING EXPENSES</b>		
Salaries	\$ 122,373	\$ 112,724
Training	163	-
Medicare tax expense	1,706	1,602
P.E.R.S. expense	16,468	15,299
Workers compensation	1,774	1,582
Chemicals and operating supplies	10,714	6,315
Equipment rental	284	-
Repairs and maintenance	126,224	64,355
Insurance:		
Health	5,702	3,313
Telephone	2,229	2,364
Utilities	77,734	71,560
Office supplies	93	289
Uniform rental	386	57
Small Tools	48	421
Licenses	100	-
Security	51	38
Depreciation	1,795,291	1,784,485
	<u>1,795,291</u>	<u>1,784,485</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 2,161,340</u>	<u>\$ 2,064,404</u>

**Southwest Licking Community Water and Sewer District  
Licking County**

**Schedules of Expenses and Non-Operating Revenues  
(Expenses) - Administration  
For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Operating Expenses:</b>		
Salaries	\$ 379,079	\$ 354,191
Training	1,749	3,329
Medicare tax expense	5,385	5,233
P.E.R.S. expense	51,723	49,986
Workers compensation	4,937	5,168
Chemicals and operating supplies	3,482	3,167
Refuse	1,324	1,361
Equipment rental	2,518	1,792
Repairs and maintenance	16,684	13,295
Engineering	-	1,511
Legal	12,186	15,267
Accounting	11,460	10,927
Audit fees	18,644	-
Professional fees - software	1,620	720
Advertising and communications	56	2,019
Board designated expenses	391	1,257
Insurance:		
General	40,971	40,734
Health	55,870	73,125
Life	2,449	3,303
Telephone	12,888	16,855
Utilities	-	154
Office supplies	16,591	20,139
Uniform rental	470	127
Postage	37,463	38,716
Cleaning	-	2,800
Security	153	204
Vehicle expense	800	566
Collection and bank fees	16,962	1,241
Dues and subscriptions	1,816	1,378
Licenses	12,653	14,174
Depreciation	39,969	27,634
Amortization	8,067	8,067
	<u>\$ 758,360</u>	<u>\$ 718,440</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 758,360</u>	<u>\$ 718,440</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Miscellaneous Income	9	130
Interest expense	(16,826)	(17,216)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>\$ (16,817)</u>	<u>\$ (17,086)</u>

**Southwest Licking Community Water and Sewer District  
Licking County**

**Schedules of Expenses - Engineering  
For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Operating Expenses:</b>		
Salaries	\$ 114,260	\$ 106,397
Training	163	-
Medicare tax expense	1,520	1,242
P.E.R.S. expense	15,180	12,012
Workers compensation	1,671	1,323
Operations and testing	163	-
Chemicals and operating supplies	5,221	7,597
Repairs and maintenance	5,504	7,424
Insurance:		
Health	30,037	37,310
Telephone	1,315	248
Office supplies	126	-
Uniform rental	429	110
Security	38	13
General manager discretionary	433	816
Depreciation	<u>565</u>	<u>622</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 176,625</u></u>	<u><u>\$ 175,114</u></u>