

**WALNUT CREEK
SEWER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

(Audited)
For The Fiscal Year Ended

August 31, 2000

CARROLL MYERS, CLERK/TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have reviewed the independent auditor's report of the Walnut Creek Sewer District, Fairfield County, prepared by Trimble, Julian & Grube, Inc., for the audit period September 1, 1999 through August 31, 2000 and for the period September 1, 2000 through December 31, 2000. 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 Walnut Creek Sewer District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 8, 2001

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WALNUT CREEK SEWER DISTRICT

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor’s Report	1
Balance Sheet	2
Statement of Revenues, Expenses, and Changes in Accumulated Deficit	3
Statement of Cash Flows	4
Notes to the General Purpose Financial Statements	5 - 19
Report on Compliance and on Internal Control Over Financial Reporting Required By <i>Government Auditing Standards</i>	20 - 21

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the accompanying general purpose financial statements of the Walnut Creek Sewer District, Fairfield County, Ohio, (the "District"), as of and for the fiscal year ended August 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Walnut Creek Sewer District, Ohio, as of August 31, 2000, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
April 4, 2001

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

BALANCE SHEET
AUGUST 31, 2000

ASSETS

CURRENT ASSETS:

Cash and cash equivalents:	
Cash and cash equivalents - unrestricted	\$ 39,202
Cash and cash equivalents - restricted	100,242
Total cash and cash equivalents	139,444
Accounts receivable	38,393
Prepaid expenses	7,816
TOTAL CURRENT ASSETS	185,653

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment	3,730,629
Less: Accumulated depreciation	(2,301,383)
NET PROPERTY, PLANT AND EQUIPMENT	1,429,246

OTHER ASSETS:

Industrial commission deposit	592
TOTAL OTHER ASSETS	592

TOTAL ASSETS	\$ 1,615,491
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LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 7,948
Accrued wages	2,887
Payroll taxes accrued and withheld	2,992
Accrued employee benefits	8,707
Customer security deposits	12,840
Bonds payable	12,000
TOTAL CURRENT LIABILITIES	47,374

LONG-TERM LIABILITIES:

Bonds payable	354,239
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TOTAL LIABILITIES	401,613
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FUND EQUITY:

Contributed capital - grants	3,303,596
Accumulated deficit:	
Reserved for repair and replacement	30,000
Accumulated deficit	(2,119,718)
Total accumulated deficit	(2,089,718)

TOTAL FUND EQUITY	1,213,878
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TOTAL LIABILITIES AND EQUITY	\$ 1,615,491
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THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE IN INTEGRAL PART OF THIS STATEMENT.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN ACCUMULATED DEFICIT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

OPERATING REVENUES:

Charges for sewer service	\$	167,380
Contractual services		25,604
Tap fees		2,970
Miscellaneous income		7,165
Total operating revenues		203,119

OPERATING EXPENSES:

Salaries		80,887
Trustee fees		4,920
Payroll taxes and industrial commission insurance		1,825
Plant chemicals and fuel		541
Telephone		5,043
Electric and water		11,300
Board of public affairs		1,508
Office supplies and miscellaneous expense		2,819
Insurance		7,516
Accounting and legal		16,390
Consulting fees		450
Employee benefits (PERS)		10,372
Repairs and excavation		4,637
Maintenance and supplies		7,407
Inspection and testing		927
Health insurance		7,092
Rent		4,800
Transportation expense		1,929
License, dues and subscriptions		1,225
Advertising		81
Training		75
Sludge removal		17,849
Bank service charges		138
OPWC project account		3,384
Independent contractors fees		252
Depreciation		79,358
Total operating expenses		272,724
Operating loss		(69,605)

NONOPERATING REVENUES/(EXPENSES):

Interest income		9,265
Interest expense		(18,912)
Total nonoperating loss		(9,647)
Net loss		(79,252)
Accumulated deficit, September 1, 1999		(2,010,466)
Accumulated deficit, August 31, 2000	\$	(2,089,718)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000**

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (69,605)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	79,358
Changes in assets and liabilities:	
Increase in accounts receivable	(5,760)
Increase in prepaids	(962)
Increase in accounts payable	4,289
Decrease in customer deposits	(5,370)
Increase in accrued wages	145
Decrease in accrued employee benefits	(1,343)
Decrease in payroll taxes accrued and withheld	<u>(80)</u>
Net cash provided by operating activities	<u>672</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Bond principal payment	(12,000)
Bond interest payment	(18,912)
Capital outlay	<u>(543)</u>
Net cash used in capital and related financing activities	<u>(31,455)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on cash and investments	<u>9,265</u>
Net cash provided by investing activities	<u>9,265</u>
Net decrease in cash and cash equivalents	(21,518)
Cash and cash equivalents, beginning of year	<u>160,962</u>
Cash and cash equivalents, end of year	<u>\$ 139,444</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 1 - DESCRIPTION OF THE ENTITY

The Walnut Creek Sewer District (the "District") is organized under the provisions of Section 6119 of the Ohio Revised Code (O.R.C.) by the Common Pleas Court of Fairfield County, Ohio, for the purpose of providing public sewer service. The territorial limits were set as the entire corporation limits of the Village of Pleasantville and the Village of Thurston. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a six-member Board of Trustees who are appointed by the Village Councils of Pleasantville and Thurston. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District.

Management believes the financial statements included in this report represent all of the funds of the District over which management has direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

A. REPORTING ENTITY

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS includes the fund for which the District is "accountable". Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the District and whether exclusion would cause the District's GPFS to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the GPFS in accordance with GASB Statement No. 14.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting. The operations of this fund are accounted for with a set of self-balancing accounts that are comprised of its assets, liabilities, fund equity or accumulated deficit, as appropriate, and revenues and expenses. The following fund type is used by the District:

PROPRIETARY:

A proprietary fund is used to account for all the District's ongoing activities which are similar to those found in the private sector. The following proprietary fund type is utilized by the District:

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant enterprise fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility, and loan and grant proceeds to expand the sewer system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled sewer utility service receivables are recognized as revenue at year end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income.

Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated deficit components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. BUDGETS

The District is required by State statute to adopt an annual appropriated cash basis budget. The specific timetable is as follows:

1. Prior to January 15 of the proceeding year, the District prepares a proposed operating budget for the year. The budget includes proposed expenses and the means of financing.
2. By the beginning of the fiscal year the annual Appropriation Resolution is legally enacted by the Board of Trustees at the fund operating and debt level of expenses, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources and the total of expenses may not exceed the appropriation total.
3. Any revision that alters the total of any fund appropriation must be approved by the Board of Trustees.
4. Formal budgetary integration is employed as a management control device during the year consistent with the general obligation bond indenture and other statutory provisions. The District's fund completed the year within the amount of their legally authorized cash basis appropriation.
5. Appropriation amounts are as originally adopted, or as amended by the Board of Trustees through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Supplemental appropriations were legally enacted by the Board during the fiscal year ended August 31, 2000.

A summary of 2000 budgetary activity appears in Note 3. (Per OAG Opinion 99-020, FY2000 is the first year the District was required to follow budgetary procedures.)

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the District considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned by the District totaled \$9,265 for the fiscal year ended August 31, 2000.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. RESTRICTED CASH

The District maintains four restricted accounts. These accounts consist of cash and Certificates of Deposit. The Bond and Interest Sinking Fund has been classified as a current asset because the liability in the current year is greater than the balance in the reserve. The Repair and Replace Reserve Fund may be used currently upon approval from the Farmers Home Administration. The Vacation Fund is accumulating monies for future payouts of compensated absences. The Customer Security Deposits are held until the Board approves the refund to the respective customers.

G. FIXED ASSETS AND DEPRECIATION

Fixed assets acquired or constructed for the general use of the District in providing service are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the years. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation and amortization have been provided on a straight-line basis ranging from 3 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related fixed assets.

H. COMPENSATED ABSENCES

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employees.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation leave payments has been calculated using pay rates in effect at the 2000 balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, less applicable additional salary related payments as amounts are not material to the financial statements.

District employees earn vacation at varying rates per year. Vacation leave is accumulated on an hours worked basis. Vacation pay is vested after one year.

I. FUND EQUITY

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers and customers. All of the District's contributed capital has been received from customers and Farmer's Home Administration and Ohio Public Works Commission grants. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to accumulated deficit at year end. There were no changes to contributed capital during the fiscal year ended August 31, 2000. Reserved fund equity represents monies reserved by the District for repair and replacement in accordance with Bond requirements.

J. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond August 31, 2000, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

K. STATEMENT OF CASH FLOWS

The District's financial statements have been prepared in accordance with GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

L. ESTIMATES

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPES

The District's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 3 - BUDGETARY COMPLIANCE

Beginning January 1, 2000, the District was required to prepare annual appropriation resolutions and follow the applicable requirements outlined in the Ohio Revised Code. Due to the District having a fiscal year of September 1 through August 31, they only budgeted for January 1, 2000 - August 31, 2000 in accordance with OAG Opinion 99-020. Budgetary activity on a cash basis for 2000 and based upon resolutions and is prorated for the eight months required and is as follows:

Budgeted vs. Actual Receipts

Budgeted Receipts	\$248,184
Actual Receipts	<u>137,749</u>
Variance	<u>(\$110,435)</u>

Budgeted vs. Actual Budgetary Basis Expenditures

Appropriation Authority:	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating	\$125,912	\$99,099	\$26,813
Debt Payment	30,912	30,912	0

NOTE 4 - CASH AND CASH EQUIVALENTS

Moneys held by the District are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the District treasury. Active moneys 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.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Moneys held by the District which are not considered active are classified as inactive. Inactive moneys 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 or 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

The District may also invest any monies not required to be used for a period of six months or more in the following:

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, District, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations to the District.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

For the fiscal year ended August 31, 2000, the carrying amount of the District's deposits, was \$139,444, and the bank balance was \$140,288. Of the bank balance, \$59,883 was covered by federal depository insurance and the remaining balance of \$80,405 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions for August 31, 2000.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

FUND DEFICIT

The District had a fund deficit at August 31, 2000, totaling \$2,089,718. The District complied with Ohio law which does not permit a cash basis deficit at year end. The deficit balance is due primarily to the recognition of contributed capital in accordance with GAAP.

NOTE 6 - RESTRICTED CASH

The District maintained the following restricted cash and cash equivalents at August 31, 2000:

<u>Account</u>	<u>Restricted</u>		
	Certificates of Deposit	Cash	Total
Bond and Interest Sinking Fund	\$ 194	\$28,759	\$ 28,953
Repair and Replacement Reserve	13,241	38,794	52,035
Vacation	6,081	---	6,081
Customer Security Deposits	<u>13,173</u>	<u>---</u>	<u>13,173</u>
Total Restricted Cash and Cash Equivalents	<u>\$32,689</u>	<u>\$67,553</u>	<u>\$100,242</u>

NOTE 7 - RECEIVABLES

Receivables at August 31, 2000, consisted of billed and unbilled sewer services. All receivables are considered fully collectible except for immaterial delinquent customer accounts. Delinquent accounts are subject to disconnection for nonpayment and are restored only after payment in full is received.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 8 - FIXED ASSETS

A summary of the District's fixed assets at August 31, 2000, is as follows:

	2000
Land	\$ 24,276
Land Easement	1,250
Land Improvement	9,630
Buildings	420,634
Sewer Lines and Storage	2,340,461
Pumps and Treatment Equipment	829,411
Office Equipment and Furniture	16,074
Transportation Equipment	25,163
Leasehold Improvements	1,594
Equipment and Tools	62,136
Total Fixed Assets	3,730,629
Less: Accumulated Depreciation	(2,301,383)
Net Fixed Assets	\$ 1,429,246

NOTE 9 - COMPENSATED ABSENCES

Vacation and sick leave is earned at rates which vary depending upon the employee's length of service and standard work week. Current policy credits vacation and sick leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. District employees are paid for earned, unused vacation leave at the time of termination up to a maximum of two years for vacation and 960 hours for sick leave.

Vacation and sick leave in the proprietary fund is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability. The total vested liability for accumulated unpaid vacation leave is 568 hours, totaling \$6,605 at August 31, 2000.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 10 - LONG-TERM DEBT

At August 31, bonds payable consisted of the following issuances:

<u>Description</u>	<u>Balance at August 31, 2000</u>
1995 Water Resource Revenue Bonds with Farmers Home Administration with denominations of \$1,000 each, bearing interest at 5% per annum, principal and interest payments are due annually on September 1, final bonds are due September 1, 2019.	\$366,239
Total Bonds Payable at August 31,	<u>\$366,239</u>

The annual activity for the Bonds Payable - FmHA is as follows:

	<u>2000</u>
Balance on September 1, 1999	\$378,239
Additions	0
Retirements	<u>(12,000)</u>
Balance on August 31, 2000	<u>\$366,239</u>

The principal and interest requirements to retire the long-term debt obligations outstanding at August 31, 2000, are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 12,000	\$ 18,312	\$ 30,312
2002	13,000	17,712	30,712
2003	13,000	17,062	30,062
2004	14,000	16,412	30,412
2005	15,000	15,712	30,712
2006 - 2010	86,000	77,272	163,272
2011 - 2015	110,000	37,310	147,310
2016 - 2019	<u>103,239</u>	<u>7,735</u>	<u>110,974</u>
Total	<u>\$366,239</u>	<u>\$207,527</u>	<u>\$573,766</u>

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000**

NOTE 11 - RESERVE FUNDS

Under Bond Resolution No. 9-25-79-2 Section 6B(1) and B(3), the District is required to make monthly deposits into reserve cash accounts.

Monthly deposits into the Revenue Bond and Interest Sinking Reserve Account are required based on 1/12 of the ensuing principal and interest payments. Payments required in the Bond and Interest Sinking Funds for the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 12,000	\$18,312	\$ 30,312
2002	13,000	17,712	30,712
2003	13,000	17,062	30,062
2004	14,000	16,412	30,412
2005	<u>15,000</u>	<u>15,712</u>	<u>30,712</u>
Total	<u>\$67,000</u>	<u>\$85,210</u>	\$152,210
Less: Balance in Bond and Interest Sinking Fund at August 31, 2000			<u>(28,953)</u>
Total			<u>\$123,257</u>

Monthly deposits into the Repair and Replacement Reserve Account are required if there is sufficient income and revenue to meet operational expenses and bond and interest sinking deposit requirements. The total maximum required to be accumulated in this reserve account is \$30,000.

The Repair and Replacement Reserve account balance at August 31, 2000, is \$52,035, of which \$30,000 is reserved.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All District full-time employees participate in the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20%. The 2000 employer contribution rate was 10.84% of covered payroll. The District's contributions to PERS for the years ended August 31, 2000, 1999, and 1998, were \$10,961, \$10,452 and \$9,657, respectively.

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for 2000. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The District contributions actually made to fund postemployment benefits during fiscal year 2000 were \$3,478. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999 (the most recent data available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

The Retirement Board initiated significant policy changes during 2000. The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% during the past year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the period for those reasons. PERS elected to return to an actuarially pre-funded type of disclosure because they believe it is a better presentation of PERS's actual funding methodology.

NOTE 13 - RELATED PARTY TRANSACTIONS

The District had a related party contract with the Villages of Pleasantville and Thurston in 2000. The contract required the District to provide daily supervisory, technical assistance and labor for the operation of the Villages' water plant. It also required the District to provide billing services for the water plant. This is a related party transaction since a District trustee is also the Mayor of the Village of Thurston and a District Trustee is also a member of the Village of Pleasantville's Water Board. Both related parties abstained from voting on approval of the Villages' contracts. The District's revenue for providing the contract services was \$28,575 for the year ended August 31, 2000.

NOTE 14 - CONTRIBUTED CAPITAL

Grants contributed to the District prior to September 1, 1995, include \$2,383,739 from the Environmental Protection Agency and \$892,700 from USDA/Rural Development. In fiscal 1998, the Ohio Public Works Commission contributed \$27,157 to the District for equipment.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2000

NOTE 15 - LEASE

The District leases office space under a 10 year renewable operating lease. The current lease expires October 1, 2007. Current future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2001	\$ 4,800
2002	4,800
2003	4,800
2004	4,800
2005	4,800
2006 - 2007	<u>9,600</u>
Total	<u>\$33,600</u>

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss; related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District continues to carry commercial insurance for other risks of loss, including employee health insurance.

The District pays an annual premium to the State Workers' Compensation System based on employee compensation and a predetermined rate. This rate is calculated based on accident history and administrative costs.

NOTE 17 - AGENT CAPACITY

The District acts in an agency capacity for the Village of Pleasantville (the "Village") in relation to its water service. The District bills, collects and deposits the Village's water revenue and at the end of each month issues a check for the total received. The District's receipts and disbursements to the Village totaled \$63,045 for the year ended August 31, 2000.

NOTE 18 - CONTINGENT LIABILITY

LITIGATION

The District is currently not involved in litigation that the management or its legal counsel anticipates a loss.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the general purpose financial statements of Walnut Creek Sewer District, Ohio, (the "District") as of and for the fiscal year ended August 31, 2000, and have issued our report thereon dated April 4, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its' compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Walnut Creek Sewer District
Board of Trustees

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walnut Creek Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Walnut Creek Sewer District in a separate letter dated April 4, 2001.

This report is intended for the information and use of the Board of Trustees and its management, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
April 4, 2001

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**WALNUT CREEK
SEWER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

(Audited)
For The Four Months Ended

December 31, 2000

CARROLL MYERS, CLERK/TREASURER

WALNUT CREEK SEWER DISTRICT

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor’s Report	1
Balance Sheet	2
Statement of Revenues, Expenses, and Changes in Accumulated Deficit	3
Statement of Cash Flows	4
Notes to the General Purpose Financial Statements	5 - 19
Report on Compliance and on Internal Control Over Financial Reporting Required By <i>Government Auditing Standards</i>	20 - 21

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Independent Auditor's Report

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the accompanying general purpose financial statements of the Walnut Creek Sewer District, Fairfield County, Ohio, (the "District"), as of and for the four months ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

As discussed in Note 4, the general purpose financial statements present four months of the District's activity due to a change in fiscal year end in order to comply with the Ohio Revised Code.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Walnut Creek Sewer District, Ohio, as of December 31, 2000, and the results of its operations and the cash flows for the four months then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
April 4, 2001

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

BALANCE SHEET
DECEMBER 31, 2000

ASSETS

CURRENT ASSETS:

Cash and cash equivalents:	
Cash and cash equivalents - unrestricted	\$ 40,877
Cash and cash equivalents - restricted	<u>112,625</u>
Total cash and cash equivalents	153,502
Accounts receivable	39,478
Prepaid expenses	<u>3,281</u>
TOTAL CURRENT ASSETS	<u><u>196,261</u></u>

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment	3,730,629
Less: Accumulated depreciation	<u>(2,327,836)</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u><u>1,402,793</u></u>

OTHER ASSETS:

Industrial commission deposit	<u>592</u>
TOTAL OTHER ASSETS	<u><u>592</u></u>

TOTAL ASSETS	<u><u>\$ 1,599,646</u></u>
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LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 3,073
Accrued wages	1,530
Payroll taxes accrued and withheld	4,459
Accrued employee benefits	8,972
Customer security deposits	13,415
Accrued interest	6,106
Bonds Payable	<u>12,000</u>
TOTAL CURRENT LIABILITIES	<u><u>49,555</u></u>

LONG-TERM LIABILITIES:

Bonds payable	<u>354,239</u>
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TOTAL LIABILITIES	<u><u>403,794</u></u>
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FUND EQUITY:

Contributed capital - grants	<u>3,303,596</u>
Accumulated deficit	
Reserved for repair and replacement	30,000
Accumulated deficit	<u>(2,137,744)</u>
Total Accumulated deficit	<u>(2,107,744)</u>
TOTAL FUND EQUITY	<u><u>1,195,852</u></u>

TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,599,646</u></u>
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THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE IN INTEGRAL PART OF THIS STATEMENT.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED DEFICIT
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

OPERATING REVENUES:

Charges for sewer service	\$	63,938
Contractual services		8,440
Tap fees		1,560
Miscellaneous income		2,842
Total operating revenues		76,780

OPERATING EXPENSES:

Salaries		27,207
Trustee fees		2,160
Payroll taxes and industrial commission insurance		629
Plant chemicals and fuel		876
Telephone		1,455
Electric and water		3,232
Board of public affairs		411
Office supplies and miscellaneous expense		1,760
Insurance		2,438
Accounting and legal		3,755
Consulting fees		525
Employee benefits (PERS)		2,301
Repairs and excavation		722
Maintenance and supplies		3,674
Inspection and testing		271
Health insurance		2,516
Rent		1,600
Transportation expense		1,010
License, dues and subscriptions		1,840
Training		250
Sludge removal		3,240
Bank service charges		21
OPWC project account		2,516
Independent contractors fees		175
Depreciation		26,453
Total operating expenses		91,037
Operating loss		(14,257)

NONOPERATING REVENUES/(EXPENSES):

Interest income		2,337
Interest expense		(6,106)
Total nonoperating loss		(3,769)
Net loss		(18,026)
Accumulated deficit, September 1, 2000		(2,089,718)
Accumulated deficit, December 31, 2000		\$ (2,107,744)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (14,257)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	26,453
Changes in assets and liabilities:	
Increase in accounts receivable	(1,085)
Decrease in prepaids	4,535
Decrease in accounts payable	(4,875)
Increase in customer deposits	575
Decrease in accrued wages	(1,357)
Increase in accrued employee benefits	265
Increase in payroll taxes accrued and withheld	<u>1,467</u>
Net cash provided by operating activities	<u>11,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>2,337</u>
Net cash provided by investing activities	<u>2,337</u>
Net increase in cash and cash equivalents	14,058
Cash and cash equivalents, beginning of year	<u>139,444</u>
Cash and cash equivalents, end of year	<u><u>\$ 153,502</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 1 - DESCRIPTION OF THE ENTITY

The Walnut Creek Sewer District (the "District") is organized under the provisions of Section 6119 of the Ohio Revised Code (O.R.C.) by the Common Pleas Court of Fairfield County, Ohio, for the purpose of providing public sewer service. The territorial limits were set as the entire corporation limits of the Village of Pleasantville and the Village of Thurston. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a six-member Board of Trustees who are appointed by the Village Councils of Pleasantville and Thurston. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District.

Management believes the financial statements included in this report represent all of the funds of the District over which management has direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

A. REPORTING ENTITY

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS includes the fund for which the District is "accountable". Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the District and whether exclusion would cause the District's GPFS to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the GPFS in accordance with GASB Statement No. 14.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting. The operations of this fund are accounted for with a set of self-balancing accounts that are comprised of its assets, liabilities, fund equity or accumulated deficit, as appropriate, and revenues and expenses. The following fund type is used by the District:

PROPRIETARY:

A proprietary fund is used to account for all the District's ongoing activities which are similar to those found in the private sector. The following proprietary fund type is utilized by the District:

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant enterprise fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility, and loan and grant proceeds to expand the sewer system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled sewer utility service receivables are recognized as revenue at year end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income.

Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated deficit components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. BUDGETS

The District is required by State statute to adopt an annual appropriated cash basis budget. The specific timetable is as follows:

1. Prior to January 15 of the proceeding year, the District prepares a proposed operating budget. The budget includes proposed expenses and the means of financing for all funds.
2. By the beginning of the fiscal year the annual Appropriation Resolution is legally enacted by the Board of Trustees at the fund operating and debt level of expenses, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources as and the total of expenses may not exceed the appropriation total.
3. Any revision that alters the total of any fund appropriation must be approved by the Board of Trustees.
4. Formal budgetary integration is employed as a management control device during the year consistent with the general obligation bond indenture and other statutory provisions. The District's fund completed the four months within the amount of their legally authorized cash basis appropriation.
5. Appropriation amounts are as originally adopted, or as amended by the Board of Trustees through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Supplemental appropriations were legally enacted by the Board during the four months ended December 31, 2000.

A summary of 2000 budgetary activity appears in Note 3. (Per OAG Opinion 99-020, FY2000 is the first year the District was required to follow budgetary procedures.)

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the District considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned by the District totaled \$2,337 for the four months ended December 31, 2000.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. RESTRICTED CASH

The District maintains four restricted accounts. These accounts consist of cash and Certificates of Deposit. The Bond and Interest Sinking Fund has been classified as a current asset because the liability in the current year is greater than the balance in the reserve. The Repair and Replace Reserve Fund may be used currently upon approval from the Farmers Home Administration. The Vacation Fund is accumulating monies for future payouts of compensated absences. The Customer Security Deposits are held until Board approves the refund to the respective customers.

G. FIXED ASSETS AND DEPRECIATION

Fixed assets acquired or constructed for the general use of the District in providing service are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the years. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation and amortization have been provided on a straight-line basis ranging from 3 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related fixed assets.

H. COMPENSATED ABSENCES

Compensated absences of the District consist of vacation and sick time to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employees.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation leave payments has been calculated using pay rates in effect at the 2000 balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, less applicable additional salary related payments as amounts are not material to the financial statements.

District employees earn vacation at varying rates per year. Vacation leave is accumulated on an hours worked basis. Vacation pay is vested after one year.

I. FUND EQUITY

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers and customers. All of the District's contributed capital has been received from customers and Farmer's Home Administration and Ohio Public Works Commission grants. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to accumulated deficit at year end. There were no changes to contributed capital during the fiscal year ended August 31, 2000. Reserved fund equity represents monies reserved by the District for repair and replacement in accordance with Bond requirements.

J. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

K. STATEMENT OF CASH FLOWS

The District's financial statements have been prepared in accordance with GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

L. ESTIMATES

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPES

The District's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 3 - BUDGETARY COMPLIANCE

Beginning January 1, 2000, the District was required to prepare annual appropriation resolutions and follow the applicable requirements outlined in the Ohio Revised Code. Budgetary activity on a cash basis for 2000 and based upon resolutions and is prorated for the four months required and is as follows:

Budgeted vs. Actual Receipts

Budgeted Receipts	\$122,851
Actual Receipts	<u>78,032</u>
Variance	<u>\$ (44,819)</u>

Budgeted vs. Actual Budgetary Basis Expenditures

Appropriation Authority:	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating	\$62,956	\$49,550	\$13,406

NOTE 4 - CHANGE IN FISCAL YEAR END

In accordance with Ohio Revised Code Section 9.34(B), the District changed its year end from August 31, to December 31.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 5 - CASH AND CASH EQUIVALENTS

Moneys held by the District are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the District treasury. Active moneys 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Moneys held by the District which are not considered active are classified as inactive. Inactive moneys 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 or 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 5 - CASH AND CASH EQUIVALENTS - (Continued)

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, District, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations to the District.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

For the four months ended December 31, 2000, the carrying amount of the District's deposits, was \$153,502, and the bank balance was \$164,019. Of the bank balance, \$117,600 was covered by federal depository insurance and the remaining balance of \$46,419 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions for December 31, 2000.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 6 - ACCOUNTABILITY AND COMPLIANCE

FUND DEFICIT

The District had a fund deficit at December 31, 2000, totaling \$2,107,744. The District complied with Ohio law which does not permit a cash basis deficit at year end. The deficit balance is due primarily to the recognition of contributed capital in accordance with GAAP.

NOTE 7 - RESTRICTED CASH

The District maintained the following designated and restricted cash and cash equivalents at December 31, 2000:

<u>Account</u>	<u>Restricted</u>		
	<u>Certificates of Deposit</u>	<u>Cash</u>	<u>Total</u>
Bond and Interest Sinking Fund	\$10,337	\$29,362	\$ 39,699
Repair and Replacement Reserve	13,391	39,538	52,929
Vacation	---	6,193	6,193
Customer Security Deposits	<u>13,804</u>	<u>---</u>	<u>13,804</u>
Total Restricted Cash and Cash Equivalents	<u>\$37,532</u>	<u>\$75,093</u>	<u>\$112,625</u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 2000, consisted of billed and unbilled sewer services. All receivables are considered fully collectible except for immaterial delinquent customer accounts. Delinquent accounts are subject to disconnection for nonpayment and are restored only after payment in full is received.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 9 - FIXED ASSETS

A summary of the District's fixed assets at December 31, 2000, is as follows:

	<u>2000</u>
Land	\$ 24,276
Land Easement	1,250
Land Improvement	9,630
Buildings	420,634
Sewer Lines and Storage	2,340,461
Pumps and Treatment Equipment	829,411
Office Equipment and Furniture	16,074
Transportation Equipment	25,163
Leasehold Improvements	1,594
Equipment and Tools	<u>62,136</u>
Total Fixed Assets	3,730,629
Less: Accumulated Depreciation	<u>(2,327,836)</u>
Net Fixed Assets	<u>\$ 1,402,793</u>

NOTE 10 - COMPENSATED ABSENCES

Vacation and sick leave is earned at rates which vary depending upon the employee's length of service and standard work week. Current policy credits vacation and sick leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. District employees are paid for earned, unused vacation leave at the time of termination up to a maximum of two years for vacation and 960 hours for sick leave.

Vacation and sick leave in the proprietary fund is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability. The total vested liability for accumulated unpaid vacation leave is 589 hours, totaling \$6,932 at December 31, 2000.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 11 - LONG-TERM DEBT

At December 31, bonds payable consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2000</u>
1995 Water Resource Revenue Bonds with Farmers Home Administration with denominations of \$1,000 each, bearing interest at 5% per annum, principal and interest payments are due annually on September 1, final bonds are due September 1, 2019.	<u>\$366,239</u>
Total Bonds Payable at December 31,	<u>\$366,239</u>

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2000, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 12,000	\$ 18,312	\$ 30,312
2002	13,000	17,712	30,712
2003	13,000	17,062	30,062
2004	14,000	16,412	30,412
2005	15,000	15,712	30,712
2006 - 2010	86,000	77,272	163,272
2011 - 2015	110,000	37,310	147,310
2016 - 2019	<u>103,239</u>	<u>7,735</u>	<u>110,974</u>
Total	<u>\$366,239</u>	<u>\$207,527</u>	<u>\$573,766</u>

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 12 - RESERVE FUNDS

Under Bond Resolution No. 9-25-79-2 Section 6B(1) and B(3), the District is required to make monthly deposits into reserve cash accounts.

Monthly deposits into the Revenue Bond and Interest Sinking Reserve Account are required based on 1/12 of the ensuing principal and interest payments. Payments required in the Bond and Interest Sinking Funds for the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 12,000	\$18,312	\$ 30,312
2002	13,000	17,712	30,712
2003	13,000	17,062	30,062
2004	14,000	16,412	30,412
2005	<u>15,000</u>	<u>15,712</u>	<u>30,712</u>
Total	<u>\$67,000</u>	<u>\$85,210</u>	\$152,210
Less: Balance in Bond and Interest Sinking Fund at December 31, 2000			<u>(39,699)</u>
Total			<u>\$112,511</u>

Monthly deposits into the Repair and Replacement Reserve Account are required if there is sufficient income and revenue to meet operational expenses and bond and interest sinking deposit requirements. The total maximum required to be accumulated in this reserve account is \$30,000.

The Repair and Replacement Reserve account balance at December 31, 2000, is \$52,929 of which \$30,000 is reserved.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All District full-time employees participate in the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 13 - DEFINED BENEFIT PENSION PLAN - (Continued)

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20%. The 2000 employer contribution rate was 10.84% of covered payroll. The District's contributions to PERS for the years ended December 31, 2000, 1999, and 1998, were \$10,961, \$10,452 and \$9,657, respectively.

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the System is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for 2000. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 13 - DEFINED BENEFIT PENSION PLAN - (Continued)

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The District contributions actually made to fund postemployment benefits during fiscal year 2000 were \$3,478.15. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999 (the most recent data available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

The Retirement Board initiated significant policy changes during 2000. The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% during the past year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the period for those reasons. PERS elected to return to an actuarially pre-funded type of disclosure because they believe it is a better presentation of PERS's actual funding methodology.

NOTE 14 - RELATED PARTY TRANSACTIONS

The District had a related party contract with the Villages of Pleasantville and Thurston during the four months ended December 31, 2000. The contract required the District to provide daily supervisory, technical assistance and labor for the operation of the Villages' water plant. It also required the District to provide billing services for the water plant. This is a related party transaction since a District trustee is also the Mayor of the Village of Thurston and a District Trustee is also a member of the Village of Pleasantville's Water Board. Both related parties abstained from voting on approval of the Villages' contracts. The District's revenue for providing the contract services was \$8,440 for the four months ended December 31, 2000.

NOTE 15 - CONTRIBUTED CAPITAL

Grants contributed to the District prior to September 1, 1995 include \$2,383,739 from the Environmental Protection Agency and \$892,700 from USDA/Rural Development. In fiscal 1998, the Ohio Public Works Commission contributed \$27,157 to the District for equipment.

**WALNUT CREEK SEWER DISTRICT
FAIRFIELD COUNTY, OHIO**
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FOUR MONTHS ENDED DECEMBER 31, 2000

NOTE 16 - LEASE

The District leases office space under a 10 year renewable operating lease. The current lease expires October 1, 2007. Current future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2001	\$ 4,800
2002	4,800
2003	4,800
2004	4,800
2005	4,800
2006 - 2007	<u>9,600</u>
Total	<u>\$33,600</u>

NOTE 17 - RISK MANAGEMENT

The District is exposed to various risks of loss; related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District continues to carry commercial insurance for other risks of loss, including employee health insurance.

The District pays an annual premium to the State Workers' Compensation System based on employee compensation and a predetermined rate. This rate is calculated based on accident history and administrative costs.

NOTE 18 - AGENT CAPACITY

The District acts in an agency capacity for the Village of Pleasantville (the "Village") in relation to its water service. The District bills, collects and deposits the Village's water revenue and at the end of each month issues a check for the total received. The District's receipts and disbursements to the Village totaled \$24,721 for the four months ended December 31, 2000.

NOTE 19 - CONTINGENT LIABILITY

LITIGATION

The District is currently not involved in litigation that the management or its legal counsel anticipates a loss.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the general purpose financial statements of Walnut Creek Sewer District, Ohio, (the "District") as of and for the four months ended December 31, 2000, and have issued our report thereon dated April 4, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its' compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Walnut Creek Sewer District
Board of Trustees

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walnut Creek Sewer District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Walnut Creek Sewer District in a separate letter dated April 4, 2001.

This report is intended for the information and use of the Board of Trustees and its management, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
April 4, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

WALNUT CREEK SEWER DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2001**