

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2000 and 1999

CARL JONES, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Clinton Township Water and Sewer District
350 Johnson Avenue
Mount Vernon, Ohio 43050

We have reviewed the independent auditor's report of the Clinton Township Water and Sewer District, Knox County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1999 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 Clinton Township Water and Sewer District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 9, 2001

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**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Statement of Cash Fund Balances - 2000 and 1999	2
Statement of Cash Receipts, Cash Disbursements and Change in Cash Fund Balance - Proprietary Fund Type - 2000	3
Statement of Cash Receipts, Cash Disbursements and Change in Cash Fund Balance - Proprietary Fund Type - 1999	4
Notes to the Financial Statements	5 - 13
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14 - 15

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Independent Auditor's Report

Members of Council and Mayor
Clinton Water & Sewer District
350 Johnson Ave.
Mt. Vernon, Ohio 43050

We have audited the accompanying financial statements of the Clinton Water & Sewer District, Knox County, Ohio as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Clinton Water & Sewer District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 2, the Clinton Water & Sewer District prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances and fund balances of the Clinton Water & Sewer District, as of December 31, 2000 and 1999 and its cash receipts and disbursements, for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2001 on our consideration of the Clinton Water & Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, grants and contracts. 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.

This report is intended solely for the information and use of Clinton Water & Sewer District and its management, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
June 25, 2001

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

**STATEMENT OF CASH FUND BALANCES
DECEMBER 31, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
<u>Cash and Investments:</u>		
Cash and Cash Equivalents	\$ 6,002	\$ 1,555
Investments	<u>558,977</u>	<u>560,225</u>
Total Cash and Investments	<u>\$ 564,979</u>	<u>\$ 561,780</u>
<u>Fund Balances</u>		
<u>Proprietary Fund Type:</u>		
Enterprise Fund	<u>\$ 564,979</u>	<u>\$ 561,780</u>
Total Fund Balances	<u>\$ 564,979</u>	<u>\$ 561,780</u>

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

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH FUND BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type
	Enterprise
Operating receipts:	
Charges for services	\$ 73,006
Tap fees	15,500
Miscellaneous	120
Assessments	131,396
Total operating receipts	220,022
Operating cash disbursements:	
Personal services	5,850
Utilities and telephone	1,138
Other contractual services	173,552
Capital outlay	828,703
Office supplies and miscellaneous	2,604
General operating expenses	672
Insurance	1,250
Return of bonds and retainage	1,000
Total operating cash disbursements	1,014,769
Operating Loss	(794,747)
Nonoperating cash receipts:	
Proceeds of notes	1,096,159
Intergovernmental	110,565
Interest	37,928
Total nonoperating cash receipts	1,244,652
Nonoperating cash disbursements:	
Debt service:	
Principal retirement	231,485
Interest charges	215,221
Total nonoperating cash disbursements	446,706
Net of cash receipts over cash disbursements	3,199
Cash fund balance, January 1, 2000	561,780
Cash fund balance, December 31, 2000	\$ 564,979

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

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH FUND BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type
	Enterprise
Operating receipts:	
Charges for services	\$ 60,091
Miscellaneous	2,727
Assessments	226,382
Total operating receipts	289,200
Operating cash disbursements:	
Personal services	4,550
Utilities and telephone	962
Other contractual services	248,734
Capital outlay	947,513
Office supplies and miscellaneous	796
General operating expenses	2,551
Insurance	1,250
Return of bonds and retainage	27,697
Total operating cash disbursements	1,234,053
Operating Loss	(944,853)
Nonoperating cash receipts:	
Proceeds of notes	1,351,394
Intergovernmental	246,600
Interest	25,584
Miscellaneous	28,367
Total nonoperating cash receipts	1,651,945
Nonoperating cash disbursements:	
Debt service:	
Principal retirement	405,207
Interest charges	165,836
Total nonoperating cash disbursements	571,043
Net of cash receipts over cash disbursements	136,049
Cash fund balance, January 1, 1999	425,731
Cash fund balance, December 31, 1999	\$ 561,780

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

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Clinton Water & Sewer District, Knox County, (the "District") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established October 16, 1990, under Chapter 6119 of the Ohio Revised Code to provide water and sewer services to the residents of Clinton Township. A three member appointed Board of Trustees manages the District.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the District's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting, where each fund is considered a separate accounting entity. The operations of the funds are accounted for with a set of self-balancing accounts. The following fund type is used 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 Village had the following significant enterprise fund:

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. BUDGETARY PROCESS

The District did not adopt an operating budget for the year ended December 31, 1999. Ohio Attorney General Opinion No. 99-020, dated March, 1999, has clarified that the budget process described in Ohio Revised Code Chapter 5705, applies to the District, effective January 1, 2000, regardless of whether the District levies property taxes. The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget for the year ended December 31, 2000, has adopted and passed annual appropriations and resolutions, and filed the necessary paperwork with the Knox County Auditor. Note that the District was not required to administer the following requirement until January 1, 2000.

Appropriations:

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control within the fund, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources:

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances:

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

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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

D. 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 and received by the District totaled \$37,928 and \$25,584 for the years ended December 31, 2000 and 1999, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized by the District. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2000 follows:

<u>Budgeted vs. Actual Receipts</u>	
<u>2000</u>	
Budgeted Receipts	\$1,743,057
Actual Receipts	<u>1,464,674</u>
Variance - (Unfavorable)	<u>\$ (278,383)</u>
<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>	
<u>2000</u>	
Appropriation Authority	\$1,676,313
Budgetary Expenditures	<u>1,461,475</u>
Variance - Favorable	<u>\$ 214,838</u>

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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;

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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:

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 year 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.

A. CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2000	1999
Demand Deposits	\$ 6,002	\$ 1,555
STAR Ohio - Investment	558,977	560,225
Total Deposits and Investments	\$564,979	\$561,780

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. DEPOSITS

For the years ended December 31, 2000 and 1999, the carrying amount of the District's deposits, were \$6,002 and \$1,555, respectively, and the bank balances were \$6,002 and \$9,517, respectively. Of the bank balances \$6,002 and \$9,517 were covered by federal depository insurance for 2000 and 1999, respectively.

C. INVESTMENTS

Investments are categorized as follows:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the District's name.

The District invested in STAR Ohio in 2000 and 1999. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form and therefore are not categorized as to the level of risk assumed by the District. The District's investment at December 31, 2000 is summarized below:

	<u>2000</u>		<u>1999</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
STAR Ohio	<u>\$558,977</u>	<u>\$558,977</u>	<u>\$560,225</u>	<u>\$560,225</u>
Total Investments	<u>\$558,977</u>	<u>\$558,977</u>	<u>\$560,225</u>	<u>\$560,225</u>

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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.

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2000, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2000</u>
1998 Ohio Water Development Authority (OWDA) Note, for construction of sewer system, due in 2025, bearing interest at 5.66%.	\$ 882,250
1997 OWDA Note, for the construction of sewer system, due in 2024, bearing interest at 6.18%.	2,598,131
1997 Note with Clinton Township, for the construction of sewer system, due as funds are available, bearing no interest.	9,000
1999 OWDA Note, for the construction of sewer system, due in 2026, bearing interest of 5.77%.	892,344
2000 OWDA Note, for the construction of sewer system, due in 2027, bearing interest of 6.397%.	<u>505,914</u>
Total debt obligations at December 31, 2000	<u>\$4,887,639</u>

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2000 are summarized as follows:

	<u>Balance at December 31, 1999</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2000</u>
1998 OWDA - #8154	\$ 917,688	\$ 25,004	\$ 60,442	\$ 882,250
1997 OWDA - #8074	2,649,017	0	50,886	2,598,131
1999 OWDA - #8087	96,452	7,705	104,157	0
1999 OWDA - #9033	334,808	557,536	0	892,344
2000 OWDA - #3312	0	505,914	0	505,914
1996 Clinton Township	<u>25,000</u>	<u>0</u>	<u>16,000</u>	<u>9,000</u>
Total	<u>\$4,022,965</u>	<u>\$1,096,159</u>	<u>\$231,485</u>	<u>\$4,887,639</u>

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

Year Ending December 31,	<u>All Debt Obligations</u>
2001	\$ 283,498
2002	368,173
2003	388,332
2004	388,332
2005	338,332
2006 and thereafter	<u>7,535,279</u>
Totals	<u>\$9,301,946</u>

**CLINTON WATER & SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 6 - RISK MANAGEMENT

In 2000, the District obtained commercial insurance for the following risks:

- Commercial general liability

NOTE 7 - CONTINGENT LIABILITY

LITIGATION

The District is currently not involved in litigation that the District's legal counsel anticipates a loss.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to the Balance Sheet, but prior to the issuance of this report, Clinton Township forgave the remaining \$9,000 Note.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Clinton Water & Sewer District
350 Johnson Ave.
Mt. Vernon, OH 43050

We have audited the financial statements of the Clinton Water & Sewer District as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 25, 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 Clinton Water & Sewer District's 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 tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Board of Trustees
Clinton Water & Sewer District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton Water & 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 that we have reported to the management of the Clinton Water & Sewer District in a separate letter dated June 25, 2001.

This report is intended for the information of the Board and management of the Clinton Water & Sewer District and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
June 25, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLINTON TOWNSHIP WATER AND SEWER DISTRICT

KNOX 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
JULY 26, 2001**