

Trimble Township Waste Water Treatment District

Athens County

Regular Audit

January 1, 2003 through December 31, 2004

Years Audited Under GAGAS: 2004 and 2003

BALESTRA, HARR & SCHERER CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Trimble Township Wastewater Treatment District
18551 Jacksonville Road
Jacksonville, Ohio 45740

We have reviewed the Independent Auditor's Report of the Trimble Township Wastewater Treatment District, Athens County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2003 through December 31, 2004. 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 Trimble Township Wastewater Treatment District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 5, 2006

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For the Years Ended December 31, 2004 and 2003

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Trimble Township Waste Water Treatment District
18551 Jacksonville Road
P.O. Box 278
Jacksonville, Ohio 45740

We have audited the accompanying financial statements of the business-type activities of the Trimble Township Waste Water Treatment District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the District as of December 31, 2004 and 2003, and the respective changes in cash basis financial position for the years then ended in conformity with the accounting basis Note 1 describes.

For the years ended December 31, 2004 and 2003, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Trimble Township Waste Water Treatment District
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information nor did we express opinion on it.



Balestra, Harr & Scherer, CPAs, Inc.
August 3, 2005

Trimble Township Waste Water Treatment District
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

This discussion and analysis of Trimble Township Waste Water Treatment District's (the District) financial performance provides an overall review of the District's financial activities for the years ended December 31, 2004 and 2003, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2004 and 2003 are as follows:

Net assets of business-type activities decreased \$20,791 (3.47 percent) and \$55,684 (8.50 percent) in 2004 and 2003.

The District's receipts are primarily from charges for services. These receipts represent 95.70 percent and 95.64 percent of the total cash received for business-type activities during 2004 and 2003, respectively. The remaining receipts are attributed to interest earnings and miscellaneous receipts.

The District's disbursements are primarily for personal services, contract services, supplies and materials, and debt service payments. These disbursements represent 89.59 percent and 87.04 percent of the total cash disbursed for business-type activities during 2004 and 2003. The remaining disbursements are attributed to utilities, transportation, capital outlay, and other disbursements.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

The District is an enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report Components

The Statements of Net Assets-Cash Basis and the Statements of Cash Receipts, Cash Disbursements and Changes in Net Assets – Cash Basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other receipts.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Trimble Township Waste Water Treatment District
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of cash receipts, cash disbursements, and changes in net assets reflect how the District did financially during 2004 and 2003, within the limitations of cash basis of accounting. The statement of net assets presents the cash balances and investments of the business-type activity of the District at years end. The statement of cash receipts, cash disbursements, and changes in net assets compares receipts and disbursements for the District. These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's customer base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, and the reliance on non-local financial resources for operations.

In the statement of net assets and the statement of cash receipts, cash disbursements, and changes in net assets, the District is reported as one type of activity:

Business-Type Activities – All of the District's basic services are reported here. Charges for services from customers represent the District's largest source of receipts.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2004 compared to 2003 and 2002 on a cash basis:

(Table 1)
Net Assets

	Business-Type Activities				
	2004	2003	Change	2002	Change
<i>Assets</i>					
Cash and Investments	\$ 578,252	\$ 599,043	\$ (20,791)	\$ 654,727	\$ (55,684)
Total Assets	<u>578,252</u>	<u>599,043</u>	<u>(20,791)</u>	<u>654,727</u>	<u>(55,684)</u>
<i>Net Assets</i>					
Restricted for Loan Reserve	187,537	184,537	3,000	166,537	18,000
Unrestricted	390,715	414,506	(23,791)	488,190	(73,684)
Total Net Assets	<u>\$ 578,252</u>	<u>\$ 599,043</u>	<u>\$ (20,791)</u>	<u>\$ 654,727</u>	<u>\$ (55,684)</u>

Trimble Township Waste Water Treatment District
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

As mentioned previously, net assets of the District decreased \$20,791 or 3.47 percent during 2004 and \$55,684 or 8.50 percent during 2003. The primary reasons contributing to the decreases in cash balances are as follows:

- Operating cash receipts remained fairly consistent from 2002 through 2004; however, there was a significant decrease in non-operating cash receipts from 2002 to 2004 due to a one time grant in 2002 of \$177,895 which did not occur in 2003 or 2004.
- Disbursements increased from 2003 to 2004 due primarily to an increase in personal services of \$28,733 and decreases of \$34,491 and \$12,035 in supplies and materials and capital outlay, respectively for fiscal year 2004.
- Disbursements decreased from 2002 to 2003 due to a decline in capital outlay of \$64,249 which was partially offset by an increase in supplies and materials of \$31,527 and an increase in contractual services of \$17,917.

Table 2 reflects the changes in net assets in 2004 and 2003. Since the District did not prepare financial statements in this format for 2002, a comparative analysis of government-wide data has not been presented for 2002. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Statements of Changes in Net Assets - Cash Basis

	2004	2003
<i>Operating Cash Receipts:</i>	\$470,049	\$463,151
<i>Operating Cash Disbursements:</i>	331,712	359,036
<i>Operating Cash Receipts Over/(Under) Operating Cash Disbursements</i>	138,337	104,115
<i>Non-operating Cash Receipts/(Disbursements):</i>		
Interest	7,316	7,095
Miscellaneous	13,802	14,044
Debt Service:		
Principal	(41,000)	(39,000)
Interest	(137,880)	(139,795)
Other Nonoperating Cash Disbursements	(1,366)	(2,143)
<i>Total Non-operating Cash Receipts/(Disbursements)</i>	(159,128)	(159,799)
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(20,791)	(55,684)
<i>Net Assets, January 1</i>	599,043	654,727
<i>Net Assets, December 31</i>	\$578,252	\$599,043

Operating cash receipts increased slightly from 2003 to 2004 by \$6,898 while operating cash disbursements decreased by \$27,324. There were no significant changes from 2003 to 2004 in non-operating cash receipts and disbursements.

Trimble Township Waste Water Treatment District
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay of \$16,165 and \$28,200 in 2004 and 2003, respectively.

Debt

Under the cash basis of accounting the District does not report bonds in the accompanying basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds. Additional information regarding debt can be found in Note 4 to the basic financial statements.

(Table 3)
Debt

	2004	2003	2002
<i>Wastewater Treatment</i>			
<i>System Revenue Bonds:</i>			
<i>Series 1993 - Interest Rate 5.00%</i>	\$ 2,225,000	\$ 2,259,000	\$ 2,291,000
<i>Series 1995 - Interest Rate 4.50%</i>	359,000	364,000	369,000
<i>Series 1998 - Interest Rate 4.50%</i>	188,000	190,000	192,000
<i>Total Debt Outstanding</i>	\$ 2,772,000	\$ 2,813,000	\$ 2,852,000

Contacting the District's Financial Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joy Hemsley, Secretary-Treasurer, Trimble Township Waste Water Treatment District, 18551 Jacksonville Road, P.O. Box 278, Jacksonville, Ohio 45740.

Trimble Township Waste Water Treatment District
Statements of Net Assets - Cash Basis
Enterprise Fund
As of December 31, 2004 and 2003

	Wastwater Treatment Fund	
	2004	2003
<i>Assets</i>		
Cash and Investments	\$578,252	\$599,043
<i>Total Assets</i>	578,252	599,043
 <i>Net Assets</i>		
Restricted for Loan Reserve	187,537	184,537
Unrestricted	390,715	414,506
<i>Total Net Assets</i>	\$578,252	\$599,043

See accompanying notes to the basic financial statements.

Trimble Township Waste Water Treatment District
Statements of Cash Receipts, Cash Disbursements, and Changes in Net Assets
Enterprise Fund
For the Years Ended December 31, 2004 and 2003

	Wastewater Treatment Fund	
	2004	2003
<i>Operating Cash Receipts:</i>		
Charges for Services	\$470,049	\$463,151
<i>Total Operating Cash Receipts</i>	470,049	463,151
<i>Operating Cash Disbursements:</i>		
Personal Services	184,353	155,620
Utilities	32,121	33,483
Transportation	3,638	6,179
Contractual Services	72,506	78,134
Supplies and Materials	22,929	57,420
Capital Outlay	16,165	28,200
<i>Total Operating Cash Disbursements</i>	331,712	359,036
<i>Operating Cash Receipts Over/(Under) Operating Cash Disbursements</i>	138,337	104,115
<i>Non-operating Cash Receipts/(Disbursements):</i>		
Interest	7,316	7,095
Miscellaneous	13,802	14,044
Debt Service:		
Principal	(41,000)	(39,000)
Interest	(137,880)	(139,795)
Other Nonoperating Cash Disbursements	(1,366)	(2,143)
<i>Total Non-operating Cash Receipts/(Disbursements)</i>	(159,128)	(159,799)
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(20,791)	(55,684)
<i>Net Assets, January 1</i>	599,043	654,727
<i>Net Assets, December 31</i>	\$578,252	\$599,043

See accompanying notes to the basic financial statements.

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Trimble Township Waste Water Treatment District, Athens County, Ohio, (the District), is a regional sewer district organized under Ohio Revised Code Chapter 6119, by the Athens County Common Pleas Court on October 3, 1986. The District operates under the direction of an eight member Board of Trustees whose membership is composed of two appointments from each of the participating subdivisions. The membership elects a President, Vice-President, and a Secretary-Treasurer, who are responsible for fiscal control of the financial resources of the District.

The District was established to provide a modern, efficient, and effective wastewater treatment system to promote the general health and safety of the citizens of the District and to make economic development in the area more feasible. The District services all or parts of the following political subdivisions:

- Village of Trimble
- Village of Jacksonville
- Village of Glouster
- Trimble Township

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

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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

C. Deposits and Investments

For reporting purposes, the District considers "Cash and Investments" 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.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Certificates of deposit are valued at cost.

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. Proprietary Fund Type

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

2. 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 uses their Enterprise Fund to account for the provision of wastewater treatment services to customers.

E. Basis of Presentation

For fiscal years 2004 and 2003, the District has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed.

F. Cash Receipts—Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. The District did not have any of these types of transactions during 2004 or 2003.

G. Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

H. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

2004 and 2003 budgetary activity appears in Note 3.

I. Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately in the basic financial statements.

J. Accumulated Leave – Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability in the accompanying basic financial statements.

K. Long-Term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid and are not reflected as a liability in the accompanying basic financial statements.

L. Net Assets

Net assets (cash basis) represent the difference between assets and liabilities. Since under the District's current basis of accounting, the District does not record any other assets other than cash and investments and does not record any liabilities, net cash assets is equivalent to cash and investments. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Loan Reserve is comprised of net assets restricted for future debt payments in the event of default. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. EQUITY IN POOLED CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

2. EQUITY IN POOLED CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any 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) and (2) of this section 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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

2. EQUITY IN POOLED CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

The carrying amount of the Districts' deposits was \$101,450 and \$73,033 as of December 31, 2004 and 2003, respectively. The District's bank balances were \$ 107,093 and \$76,840 as of December 31, 2004 and 2003, respectively. Of the bank balances, 100 percent was covered by federal depository insurance for each year.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and fair value of investments classified by risk. Category 1 includes investments that are insured or registered for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the District's name. All of the District's investments were with STAR Ohio during the period presented. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The amount held in STAR Ohio as of December 31, 2004 and 2003 was \$476,802 and \$526,010 respectively.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 was as follows:

Budgeted vs. Actual Receipts		
	2004	2003
Budgeted Receipts	\$492,257	\$528,788
Actual Receipts	491,167	484,290
Variance	<u>(\$1,090)</u>	<u>(\$44,498)</u>

Budgeted vs. Actual Budgetary Basis Expenditures		
	2004	2003
Appropriation Authority	\$575,600	\$543,783
Budgetary Expenditures	511,956	539,974
Variance	<u>\$63,642</u>	<u>\$3,809</u>

4. DEBT

Debt outstanding at December 31, 2004 and 2003 was as follows:

	2004	2003
Wastewater Treatment System Revenue Bonds:		
Series 1993 - Interest Rate 5.00%	\$ 2,225,000	\$ 2,259,000
Series 1995 - Interest Rate 4.50%	359,000	364,000
Series 1998 - Interest Rate 4.50%	<u>188,000</u>	<u>190,000</u>
Total Debt Outstanding	<u>\$ 2,772,000</u>	<u>\$ 2,813,000</u>

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

4. DEBT (Continued)

The outstanding bonds had been issued for 40 years. Principal and interest payments are due each year on September 1 for the Series 1993 and Series 1995 bonds. Principal and interest payments are due each year on December 1 for the Series 1998 bonds. Proceeds from the bonds were used for sewer construction. Property and revenue of the District have been pledged to repay the debt.

Amortization of the above debt, including interest of \$2,532,820 is as follows:

Year Ending December 31	Series 1993 Revenue Bonds	Series 1995 Revenue Bonds	Series 1998 Revenue Bonds	Total
2005	\$147,250	\$21,155	\$10,460	\$178,865
2006	147,450	21,930	11,370	180,750
2007	146,550	21,660	11,235	179,445
2008	146,600	21,390	11,100	179,090
2009	146,550	22,120	10,965	179,635
Subsequent	3,527,250	564,620	315,165	4,407,035
Total	<u>\$4,261,650</u>	<u>\$672,875</u>	<u>\$370,295</u>	<u>\$5,304,820</u>

5. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The Board participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the years ended December 31, 2004 and 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Board's contribution rate for pension benefits for 2004 and 2003 were 9.55 and 8.55 percent, while the total contribution rate for both years was 13.55 percent. Actual employer contributions for 2004 and 2003 were \$10,789 and \$8,097, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

6. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contributions to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 and 2003 local government employer contribution rates were 13.55 percent of covered payroll; 4.00 and 5.00 percent of covered payroll were the portions that were used to fund health care for 2004 and 2003, respectively.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional pension and combined plans totaled 369,885 for 2004 and 364,881 for 2003. Actual employer contributions for 2004 and 2003 which were used to fund postemployment benefits were \$4,519 and \$4,735, respectively. Actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Trimble Township Waste Water Treatment District
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

7. RISK MANAGEMENT

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expense. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks including automobile physical damage, there is no aggregate for 2004 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on a specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operation contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

	2004	2003
<i>Casualty Coverage:</i>		
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained Earnings	\$13,557,131	\$12,415,113
 <i>Property Coverage:</i>		
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained Earnings	\$3,108,199	\$2,366,752

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Ohio Society of Certified Public Accountants

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

Board of Trustees
Trimble Township Waste Water Treatment District
18551 Jacksonville Road
P.O. Box 278
Jacksonville, Ohio 45740

We have audited the financial statements of the business-type activities of Trimble Township Waste Water Treatment District, Athens County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 3, 2005, wherein we noted the District revised its financial statement presentation for 2004 and 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Governmental Auditing Standards.

However, we noted other matters that we have communicated to the District in a letter dated August 3, 2005.

This report is intended solely for the information and use of management, the Board of Trustees, 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.



Balestra, Harr & Scherer, CPAs, Inc.

August 3, 2005



**Auditor of State
Betty Montgomery**

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TRIMBLE TOWNSHIP WASTEWATER TREATMENT DISTRICT

ATHENS 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
JANUARY 19, 2006**