



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet - As of December 31, 2001 and 2000	3
Statement of Revenues, Expenses, and Changes in Retained Earnings - For the Years Ended December 31, 2001 and 2000	4
Statement of Cash Flows - For the Years Ended December 31, 2001 and 2000	5
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

This page intentionally left blank.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Bishopville Water District
Morgan County
10123 West Mountville Road
Glouster, Ohio 45732

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2001 and 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 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. 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 Bishopville Water District, Morgan County, as of December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 31, 2002

This page intentionally left blank.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY
BALANCE SHEET
AS OF DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 76,443	\$ 61,064
Accounts Receivable	6,619	6,267
Allowance for Doubtful Accounts	<u>(450)</u>	<u>(450)</u>
Total Current Assets	82,612	66,881
Fixed Assets:		
Land	1,500	1,500
Office Equipment	2,638	2,638
Plant	513,901	513,901
Less: Accumulated Depreciation	<u>(306,950)</u>	<u>(293,994)</u>
Total Fixed Assets	<u>211,089</u>	<u>224,045</u>
TOTAL ASSETS	<u>\$ 293,701</u>	<u>\$ 290,926</u>
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 4,554	\$ 9,849
Payroll Related Liabilities	739	666
Current Portion of GMAC Loans Payable	<u>21,669</u>	<u>20,615</u>
Total Current Liabilities	26,962	31,130
Long-Term Liabilities:		
GMAC Loans Payable (Net of Current Portion)	<u>154,755</u>	<u>176,449</u>
Total Long-Term Liabilities	154,755	176,449
Equity:		
Retained Earnings - Reserved	15,475	15,475
Retained Earnings - Unreserved	<u>96,509</u>	<u>67,872</u>
Total Equity	<u>111,984</u>	<u>83,347</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 293,701</u>	<u>\$ 290,926</u>

The notes to the general purpose financial statements are an integral part of this statement.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Water Sales	\$ 134,438	\$ 127,810
Tap Fees and Other Miscellaneous Revenue	2,000	3,880
	<u>136,438</u>	<u>131,690</u>
Operating Expenses:		
Wages	15,655	16,070
Water Purchased	40,733	35,440
Utilities	3,882	3,696
Insurance	2,858	2,603
Payroll Taxes	2,427	2,723
Legal and Professional	825	891
Repair and Maintenance	6,150	12,169
Board Member Salaries	2,034	1,886
Bookkeeping	8,460	6,100
Office Expense	499	575
Water Testing	480	565
Bad Debts	405	277
Miscellaneous Expense	328	233
Postage	1,418	1,070
Office Rent	900	900
Dues and Subscriptions	580	580
Depreciation Expense	12,956	12,956
	<u>100,590</u>	<u>98,734</u>
Total Operating Expenses		
	<u>100,590</u>	<u>98,734</u>
Operating Income	35,848	32,956
Nonoperating Revenues/(Expenses):		
Interest Revenue	2,149	1,935
Interest Expense	(9,360)	(10,049)
	<u>(7,211)</u>	<u>(8,114)</u>
Total Nonoperating Revenues/(Expenses)		
	<u>(7,211)</u>	<u>(8,114)</u>
Net Income	28,637	24,842
Retained Earnings - January 1	83,347	58,505
Retained Earnings - December 31	<u>\$ 111,984</u>	<u>\$ 83,347</u>

The notes to the general purpose financial statements are an integral part of this statement.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Cash Flows from Operating Activities:		
Operating Income	\$ 35,848	\$ 32,956
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Depreciation	12,956	12,956
(Increase) Decrease in Accounts Receivable	(352)	(633)
Increase (Decrease) in Accounts Payable	(5,295)	(935)
Increase (Decrease) in Payroll Related Liabilities	73	(3,702)
Increase (Decrease) in Accrued Interest Payable	(414)	(414)
Total Adjustments	7,382	7,272
Net Cash Provided by (Used by) Operating Activities	43,230	40,228
Cash Flows from Capital and Related Financing Activities:		
Interest Paid on Debt	(9,360)	(10,049)
Principal Paid on Debt	(20,640)	(18,940)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(30,000)	(28,989)
Cash Flows from Investing Activities:		
Interest on Investments	2,149	1,935
Net Cash Provided by (Used by) Capital and Related Investing Activities	2,149	1,935
Net Increase/(Decrease) in Cash and Cash Equivalents	15,379	13,174
Cash and Cash Equivalents - January 1	61,064	47,890
Cash and Cash Equivalents - December 31	\$ 76,443	\$ 61,064

The notes to the general purpose financial statements are an integral part of this statement.

This page intentionally left blank.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. DESCRIPTION OF THE ENTITY

The Bishopville Water District, Morgan County (the District), is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Athens County on September 28, 1999. The District operates under the direction of a seven-member Board of Trustees, from Athens and Morgan Counties. The staff consists of an appointed Board Treasurer, who is responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District serves all or parts of the following political subdivisions in Athens and Morgan Counties:

Trimble Township, Athens County	Homer Township, Morgan County
Union Township, Morgan County	

The District's management believes the general purpose financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's operations are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. Equity (i.e., net total assets) is segregated into reserved and unreserved retained earnings components. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget. However, the District did not follow the budgeting procedures required by Ohio Rev. Code Chapter 5705. The District was unaware of these requirements when formed. Consequently, no budgets were prepared or adopted, and no budgetary disclosures are included in the general purpose financial statements.

D. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the District's certificates of deposit are valued at cost and reported as a cash equivalent on the Balance Sheet. Both cash and certificates of deposit are considered cash for the purposes of the Statement of Cash Flows.

E. Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized, including interest incurred on construction projects until they are substantially completed. Donated assets are recorded at their fair market value at the time recorded. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major fixed asset class are as follows:

Plant	40 Years
Office Equipment	5 Years

F. Compensated Absences

GASB Statement 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absence is earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

The District does not record compensated absences in accordance with GASB 16. However, the District feels any liability would be immaterial to the general purpose financial statements as a whole.

G. Reserves of Equity

Reserves represent those portions of equity not appropriable for expenditure or legally segregated for a specific future use. The District reserves part of retained earnings for future expenses for meter replacement.

H. Long-Term Obligations

Long-term debt and other obligations are reported as liabilities.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the District 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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) 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; and
6. The State Treasurer's investment pool (STAROhio).

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, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
3. Obligations of the District.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. CASH AND CASH EQUIVALENTS (Continued)

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.

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 moneys deposited with the institution.

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: At December 31, 2001, the carrying amount of the District's deposits was \$76,443, and the bank balance was \$76,562. The bank balance was covered by the Federal Deposit Insurance Corporation.

At December 31, 2000, the carrying amount of the District's deposits was \$61,064, and the bank balance was \$61,694. The bank balance was covered by the Federal Deposit Insurance Corporation.

The classification of "Pooled Cash and Cash Equivalents" on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less.

4. FIXED ASSETS

A summary of the fixed assets as of December 31, 2001, is as follows:

	<u>Fixed Assets</u>	Less: <u>Accumulated Depreciation</u>	Net <u>Fixed Assets</u>
Land	\$ 1,500	\$ -	\$ 1,500
Plant	513,901	(304,446)	209,455
Office Equipment	<u>2,638</u>	<u>(2,504)</u>	<u>134</u>
 Total	 <u>\$ 518,039</u>	 <u>\$ (306,950)</u>	 <u>\$ 211,089</u>

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. FIXED ASSETS (Continued)

A summary of the fixed assets as of December 31, 2000, is as follows:

	<u>Fixed Assets</u>		<u>Less: Accumulated Depreciation</u>		<u>Net Assets</u>
Land	\$ 1,500	\$		\$	1,500
Plant	513,901		(291,598)		222,303
Office Equipment	2,638		(2,396)		242
Total	\$ 518,039	\$	(293,944)	\$	224,405

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Motors Acceptance Corporation (GMAC) Loan, Phase I	\$ 128,664	5.00%
General Motors Acceptance Corporation (GMAC) Loan, Phase II	39,939	5.00%
General Motors Acceptance Corporation (GMAC) Loan, Phase III	7,822	5.00%
Total	<u>\$ 176,425</u>	

The outstanding GMAC loans were issued for the acquisition and construction of Phase I, II and III of the construction of the District's infrastructure to provide water to the District's customers. The revenue of the District has been pledged to repay this debt.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Phase I GMAC Loan</u>	<u>Phase II GMAC Loan</u>	<u>Phase III GMAC Loan</u>	<u>Totals</u>
Year Ending December 31:				
2002	\$ 19,404	\$ 7,248	\$ 3,348	\$ 30,000
2003	19,404	7,248	3,348	30,000
2004	19,404	7,248	3,348	30,000
2005	19,404	7,248	1,747	28,399
2006	19,404	7,248	0	26,652
2007 - 2010	63,308	18,993	0	82,301
Total	<u>\$ 160,328</u>	<u>\$ 55,233</u>	<u>\$ 11,791</u>	<u>\$ 227,352</u>

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

All full-time employees of the District participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Contribution rates are prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000, and from January 1, 2001 through December 31, 2001. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000 through December 31, 2000. The District's required contributions to PERS for the years ended December 31, 2001 and 2000, were \$2,070 and \$1,826, respectively. The full amount has been contributed for 2001 and 2000.

The Public Employees Retirement System of Ohio (PERS) 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 is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. For January 1, 2000 through June 30, 2000, the employer contribution rate was 13.55 percent of covered payroll. For July 1, 2000 through December 31, 2000, the employer contribution rate was temporarily reduced by PERS to 8.13 percent. For 2000, 4.30 percent was the portion that was used to fund health care. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

7. POSTEMPLOYMENT BENEFITS

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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.

The number of active contributing participants was 411,076. The District's actual contributions used to fund postemployment benefits were \$1,468 for 2001 and \$1,094 for 2000. The actual contribution and actuarially required contribution amounts are the same. PERS net assets available for payment of benefits at December 31, 2000 (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1987, disclosures had been based on a pay-as-you-go funding basis.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, general liability, officials liability and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

This page intentionally left blank.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Bishopville Water District
Morgan County
10123 West Mountville Road
Glouster, Ohio 45732

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 31, 2002. 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.

Compliance

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 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 31, 2002.

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 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 do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 31, 2002.

Bishopville Water District
Morgan County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

May 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BISHOPVILLE WATER DISTRICT

MORGAN 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 18, 2002**