



**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY 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 Equity - 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> | 19 |

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**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

Southern Perry County Water District
Perry County
P.O. Box 335
Corning, Ohio 43730-0335

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Southern Perry County Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000. 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 general purpose 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 Southern Perry County Water District, Perry 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 March 13, 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.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 13, 2002

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**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 2001 AND 2000**

| | 2001 | 2000 |
|--|---------------------|---------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 339,518 | \$ 345,731 |
| Accounts Receivable | 47,782 | 41,320 |
| Inventories | 6,814 | 6,814 |
| Total Current Assets | 394,114 | 393,865 |
| Restricted Assets: | | |
| Cash Equivalents | 137,629 | 129,854 |
| Fixed Assets: | | |
| Land | 19,968 | 6,468 |
| Water System | 4,330,139 | 4,270,664 |
| Transportation | 67,656 | 62,575 |
| Equipment and Tools | 63,034 | 35,454 |
| Less: Accumulated Depreciation | (1,186,124) | (1,094,508) |
| Total Fixed Assets | 3,294,673 | 3,280,653 |
| TOTAL ASSETS | \$ 3,826,416 | \$ 3,804,372 |
| LIABILITIES AND EQUITY: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 27,478 | \$ 55,888 |
| Payroll Related Liabilities | 2,258 | 3,068 |
| Current Portion of FmHA Notes Payable | 23,173 | 21,481 |
| Current Portion of Capital Lease Payable | 8,231 | 8,006 |
| Current Portion of Other Loans Payable | 7,995 | 7,838 |
| Interest Payable FmHA | 23,874 | 24,094 |
| Total Current Liabilities | 93,009 | 120,375 |
| Long-Term Liabilities: | | |
| FmHA Notes Payable (net of current portion) | 1,293,830 | 1,317,003 |
| Capital Lease Payable (net of current portion) | | 8,231 |
| Other Loans Payable (net of current portion) | 381,413 | 352,324 |
| Total Long-Term Liabilities | 1,675,243 | 1,677,558 |
| Equity: | | |
| Contributed Capital | 1,537,845 | 1,510,265 |
| Retained Earnings - Reserved for Debt Service | 137,629 | 129,854 |
| Retained Earnings - Unreserved | 382,690 | 366,320 |
| Total Equity | 2,058,164 | 2,006,439 |
| TOTAL LIABILITIES AND EQUITY | \$ 3,826,416 | \$ 3,804,372 |

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

| | <u>2001</u> | <u>2000</u> |
|---|----------------------------|----------------------------|
| Operating Revenues: | | |
| Water Sales | \$ 608,193 | \$ 584,705 |
| Tap Fees | 18,855 | 2,160 |
| Turn On Fees | 850 | 1,350 |
| Late Penalty Charges | 21,681 | 17,757 |
| Miscellaneous | 55 | 428 |
| Total Operating Revenues | <u>649,634</u> | <u>606,400</u> |
| Operating Expenses: | | |
| Purchased Water | 239,422 | 233,667 |
| Salaries, Payroll Taxes, and Employers Share of Pension | 104,012 | 95,625 |
| Directors' Fees | 4,900 | 4,350 |
| Employee Health and Life Insurance | 18,922 | 14,979 |
| Workers' Compensation | 869 | 661 |
| Utilities | 18,248 | 17,756 |
| Maintenance and Operations | 42,234 | 41,925 |
| Office Expenses and Operations | 14,622 | 12,052 |
| Professional Fees | 35,971 | 30,625 |
| Depreciation | 101,351 | 100,452 |
| Total Operating Expenses | <u>580,551</u> | <u>552,092</u> |
| Operating Income | 69,083 | 54,308 |
| Nonoperating Revenues/(Expenses): | | |
| Interest Revenue | 19,858 | 24,101 |
| Insurance Settlement on Capital Assets | 6,855 | |
| Interest Expense | <u>(71,651)</u> | <u>(72,829)</u> |
| Total Nonoperating Revenues/(Expenses) | <u>(44,938)</u> | <u>(48,728)</u> |
| Net Income | 24,145 | 5,580 |
| Retained Earnings - January 1 | <u>496,174</u> | <u>490,594</u> |
| Retained Earnings - December 31 | 520,319 | 496,174 |
| Contributed Capital - December 31 | <u>1,537,845</u> | <u>1,510,265</u> |
| Total Equity - December 31 | <u>\$ 2,058,164</u> | <u>\$ 2,006,439</u> |

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

| | 2001 | 2000 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Operating Income | \$ 69,083 | \$ 54,308 |
| Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities: | | |
| Depreciation | 101,351 | 100,452 |
| (Increase) Decrease in Accounts Receivable | (6,462) | 11,902 |
| Increase (Decrease) in Accounts Payable | (28,410) | (1,636) |
| Increase (Decrease) in Taxes Payable | (810) | 1,152 |
| Total Adjustments | 65,669 | 111,870 |
| Net Cash Provided by (Used by) Operating Activities | 134,752 | 166,178 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and Construction of Capital Assets | (87,791) | (8,371) |
| Insurance Settlement on Capital Assets | 6,855 | |
| Proceeds from OWDA Loan | 45,000 | |
| Payments on Capital Lease | (8,469) | (8,460) |
| Principal Paid on Debt | (37,235) | (36,245) |
| Interest Paid on Debt | (71,408) | (72,727) |
| Net Cash Provided by (Used by) Capital and Related Financing Activities | (153,048) | (125,803) |
| Cash Flows from Investing Activities: | | |
| Interest on Investments | 19,858 | 24,101 |
| Net Cash Provided by (Used by) Capital and Related Financing Activities | 19,858 | 24,101 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 1,562 | 64,476 |
| Cash and Cash Equivalents - January 1 | 475,585 | 411,109 |
| Cash and Cash Equivalents - December 31 | \$ 477,147 | \$ 475,585 |
| <u>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</u> | | |
| Cash and Cash Equivalents | \$ 339,518 | \$ 345,731 |
| Cash and Cash Equivalents - Restricted | 137,629 | 129,854 |
| Total Cash and Cash Equivalents | \$ 477,147 | \$ 475,585 |
| <u>Non-Cash Capital and Related Financing Activities:</u> | | |
| Capital Lease Inception during 2000 for Capital Asset | | \$ 24,050 |
| Reduction of Capital Assets due to Disposal (no salvage value) | \$ 9,735 | \$ 10,000 |
| Contributed Capital received during 2001 for Capital Asset | \$ 27,580 | |

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

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**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

1. DESCRIPTION OF THE ENTITY

The Southern Perry County Water District, Perry County (the District), is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Perry County on February 11, 1975. The District operates under the direction of a seven-member Board of Trustees. The staff consists of an appointed Board Treasurer, an appointed accountant and one office clerk, who are 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 and business use. The District serves all or parts of the following political subdivisions in Perry County:

| | | |
|--------------------|-------------------|----------------------|
| Bearfield Township | Monroe Township | Village of Rendville |
| Coal Township | Pike Township | |
| Harrison Township | Pleasant Township | |
| Jackson Township | Saltlick Township | |

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 contributed capital and 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.

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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.

C. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 4.

D. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the District's participation in the State Treasurer's Investment Pool (STAROhio) is treated as a demand account and reported as a cash equivalent on the Balance Sheet. Cash in the District's operating account and certificates of deposit are considered cash for the purposes of the Statement of Cash Flows.

E. Inventory

The inventory is valued at cost, which approximates market, utilizing the first in, first out (FIFO) method. The inventory of the District consists of expendable materials and supplies. The cost is recorded as an expense at the time individual inventory items are used.

F. Restricted Assets

Restricted assets represent monies legally restricted for payment of bond issues.

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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:

| | |
|--|----------|
| Department of Natural Resources Tap Fees | 40 Years |
| Water Lines | 50 Years |
| Water Tanks | 50 Years |
| Water Meters and Installation | 50 Years |
| Transportation Equipment | 5 Years |
| Equipment and Tools | 5 Years |

H. 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 that any liability would be immaterial to the general purpose financial statements as a whole.

I. Contributed Capital

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers or customers. Contributed capital of the District has been from customers, donated assets and grants.

J. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Balances reserved are for bond issues.

K. Long-Term Obligations

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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).

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

3. CASH AND CASH EQUIVALENTS (Continued)

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

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, 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.

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 \$188,316, and the bank balance was \$193,887. Of the bank balance:

1. \$100,000 was covered by the Federal Deposit Insurance Corporation;
2. \$93,887 was covered by collateral pledged by the financial institution.

At December 31, 2000, the carrying amount of the District's deposits was \$178,058, and the bank balance was \$181,117. Of the bank balance:

1. \$100,000 was covered by the Federal Deposit Insurance Corporation;
2. \$81,117 was covered by collateral pledged by the financial institution.

Investments: 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.

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

3. CASH AND CASH EQUIVALENTS (Continued)

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the District or the District's agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty'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 counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | December 31, 2001 | | December 31, 2000 | |
|----------|-------------------|-----------------|-------------------|-----------------|
| | Carrying Value | Market Value | Carrying Value | Market Value |
| STAROhio | \$288,831 | \$288,831 | \$297,527 | \$297,527 |

The classification of "Equity in 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.

A reconciliation between the classifications of cash and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

| | December 31, 2001 | | December 31, 2000 | |
|------------------|---------------------------------|-------------|---------------------------------|-------------|
| | Cash and Cash Equivalents | Investments | Cash and Cash Equivalents | Investments |
| GASB Statement 9 | \$477,147 | \$0 | \$475,585 | \$0 |
| Investments: | | | | |
| STAROhio | (288,831) | 288,831 | (297,527) | 297,527 |
| GASB Statement 3 | \$188,316 | \$288,831 | \$178,058 | \$297,527 |

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

| | Budgeted vs. Actual Receipts | |
|-------------------|------------------------------|------------|
| | 2001 | 2000 |
| Budgeted Receipts | \$ 650,800 | \$ 580,500 |
| Actual Receipts | 700,134 | 630,501 |
| Variance | \$ 49,334 | \$ 50,001 |

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

| Budgeted vs. Actual Budgetary Basis Expenditures | | |
|--|--------------|------------|
| | 2001 | 2000 |
| Appropriation Authority | \$ 1,040,167 | \$ 579,292 |
| Budgetary Expenditures | 628,427 | 557,921 |
| Variance | \$ 411,740 | \$ 21,371 |

5. FIXED ASSETS

A summary of the fixed assets as of December 31, 2001 and December 31, 2000, is as follows:

| | December 31, 2001 | December 31, 2000 |
|--------------------------------|-------------------|-------------------|
| Land | \$19,968 | \$6,468 |
| Water Lines and Buildings | 3,826,623 | 3,767,148 |
| DNR Tap Fees | 503,516 | 503,516 |
| Transportation Equipment | 67,656 | 62,575 |
| Furniture and Equipment | 63,034 | 35,454 |
| Total | 4,480,797 | 4,375,161 |
| Less Accumulated Depreciation: | | |
| Water Lines and Buildings | (832,442) | (751,770) |
| DNR Tap Fees | (286,553) | (273,965) |
| Transportation Equipment | (39,100) | (42,955) |
| Furniture and Equipment | (28,029) | (25,818) |
| Total Accumulated Depreciation | (1,186,124) | (1,094,508) |
| Total Net Fixed Assets | \$3,294,673 | \$3,280,653 |

6. LONG-TERM DEBT

Long-Term Debt outstanding at December 31, 2001, consisted of the following:

| | |
|---|-----------|
| Farmer's Home Administration (FmHA), Revenue Bonds, Phase I | |
| Principal Outstanding | \$201,000 |
| Interest Rate | 5.00% |
| Farmer's Home Administration (FmHA), Revenue Bonds, Phase II | |
| Principal Outstanding | \$594,300 |
| Interest Rate | 5.00% |
| Farmer's Home Administration (FmHA), Revenue Bonds, Phase III | |
| Principal Outstanding | \$361,179 |
| Interest Rate | 4.50% |

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

6. LONG-TERM DEBT (Continued)

Farmer's Home Administration (FmHA), Revenue Bonds, Phase III
Principal Outstanding \$160,524
Interest Rate 4.50%

Ohio Public Works Commission (OPWC), Issue II Loan Payable
Principal Outstanding \$344,408
Interest Rate 2.00%

Ohio Water Development Authority (OWDA) Loan
Principal Outstanding \$45,000
Interest Rate 0.00%

General Motors Acceptance Corporation (GMAC), Capital Lease Payable
Principal Outstanding \$8,231
Interest Rate 2.80%

The outstanding revenue bonds were issued for the acquisition and construction of Phase I, II, and III of the water resource expansion project. Revenue of the District has been pledged to repay these debts.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$1,169,012 are as follows:

| Year Ending December 31 | Phase I Water Revenue Bonds | Phase II Water Revenue Bonds | Phase III Water Revenue Bonds | Phase III Water Revenue Bonds | Totals |
|----------------------------|-----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------|
| 2002 | \$18,050 | \$38,115 | \$20,942 | \$9,307 | \$86,414 |
| 2003 | 17,650 | 38,095 | 20,942 | 9,307 | 85,994 |
| 2004 | 17,250 | 38,155 | 20,942 | 9,307 | 85,654 |
| 2005 | 17,850 | 38,090 | 20,942 | 9,307 | 86,189 |
| 2006 | 17,400 | 38,105 | 20,942 | 9,307 | 85,754 |
| 2007-2011 | 88,600 | 190,540 | 104,709 | 46,537 | 430,386 |
| 2012-2016 | 90,550 | 190,575 | 104,709 | 46,537 | 432,371 |
| 2017-2021 | 36,550 | 190,500 | 104,708 | 46,537 | 378,295 |
| 2022-2026 | 0 | 190,655 | 104,708 | 46,537 | 341,900 |
| 2027-2031 | 0 | 190,625 | 104,708 | 46,537 | 341,870 |
| 2032-2035 | 0 | 38,115 | 83,766 | 37,230 | 131,188 |
| Total | <u>\$303,900</u> | <u>\$1,181,570</u> | <u>\$712,018</u> | <u>\$316,450</u> | <u>\$2,486,015</u> |

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

6. LONG-TERM DEBT (Continued)

The outstanding Issue II loan was issued by Perry County. The Water District has assumed this debt because the water improvements are to be turned over to the District upon completion.

The annual requirements to retire the Issue II loan liability at December 31, 2001, including interest payments of \$67,429, are as follows:

| <u>Year Ending December 31</u> | <u>OPWC Issue II Loan</u> |
|------------------------------------|-----------------------------------|
| 2002 | \$11,439 |
| 2003 | 22,900 |
| 2004 | 22,879 |
| 2005 | 22,879 |
| 2006 | 22,879 |
| 2007-2011 | 114,393 |
| 2012-2016 | 114,393 |
| 2017-2020 | <u>80,075</u> |
| Total | <u>\$411,837</u> |

In 2001, the District obtained an advance on an Ohio Water Development Authority (OWDA) loan in the amount of \$45,000. The proceeds from the advance were used to pay for engineering fees related to an elevated water storage tank construction project. The total estimated project cost is \$354,200. Of this total cost, \$176,600 will be provided through a Community Development Block Grant (CDBG). The remaining cost of \$177,600 will be provided through an OWDA loan. The advance of \$45,000 which was received in 2001 will become part of the principal balance on the OWDA loan. As of the date of this report, the OWDA loan had not been approved, and no principal or interest payments had been made on the \$45,000 advance.

The outstanding capital lease was obtained for the acquisition of a pickup truck. The truck may be purchased at the end of the lease for \$1. The annual requirement to retire the capital lease liability at December 31, 2001, including interest payments of \$239 and the \$1 purchase option, is as follows:

| <u>Year Ending December 31</u> | <u>GMAC Capital Lease</u> |
|------------------------------------|-----------------------------------|
| 2002 | <u>\$8,470</u> |
| Total | <u>\$8,470</u> |

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

7. DEFINED BENEFIT PENSION PLAN

All District full-time employees 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, 2000, and 1999, were \$12,255, \$9,106, and \$11,356, respectively. The full amount has been contributed for 2001, 2000 and 1999.

8. POSTEMPLOYMENT BENEFITS

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.

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 \$3,888 for 2001 and \$2,889 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.

**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

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

9. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, 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.

The District also provides health-care insurance coverage for its full-time employees.

10. CONTRIBUTED CAPITAL

The change in the District's contributed capital account of \$27,580 consisted of a generator purchased for the District by the Perry County Commissioners. This generator was installed at the Rendville Pump Station and has been added to the District's fixed assets.

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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**

Southern Perry County Water District
Perry County
P.O. Box 335
Corning, Ohio 43730-0335

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Southern Perry County Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 13, 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 13, 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 general purpose 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 March 13, 2002.

Southern Perry County Water District
Perry 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 the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 13, 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

SOUTHERN PERRY COUNTY WATER DISTRICT

PERRY 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
APRIL 16, 2002**