



**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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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 740-592-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Tri-County Rural Water and Sewer District
Washington County
Route 1 Box 238
Waterford, Ohio 45786

To the Board of Directors:

We have audited the accompanying general-purpose financial statements of Tri-County Rural Water and Sewer District, Washington County, Ohio, (the District) as of and for the years ended December 31, 1999, 1998, and 1997. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Rural Water and Sewer District, Washington County, as of December 31, 1999, 1998, and 1997, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2000, 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.

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

Jim Petro
Auditor of State

May 10, 2000

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
BALANCE SHEET
AS OF DECEMBER 31, 1999, 1998, AND 1997**

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Assets:			
Current Assets:			
Cash on Hand	\$200	\$200	\$200
Cash in Bank	156,955	53,751	160,381
Certificate of Deposit	101,247		
Accounts Receivable - Customers	31,912	49,400	40,648
Accrued Interest Receivable	1,290	1,360	1,682
	<u>291,604</u>	<u>104,711</u>	<u>202,911</u>
Total Current Assets			
	<u>291,604</u>	<u>104,711</u>	<u>202,911</u>
Property, Plant and Equipment:			
Construction in Progress	68,920	10,744	2,416
Land	258,508	258,508	257,800
Buildings	20,817	20,817	20,817
Machinery and Equipment	32,897	32,897	32,897
Office Furniture and Fixtures	14,552	13,937	10,746
Autos and Trucks	13,968	13,968	13,968
Water Lines	4,814,108	4,814,108	4,803,373
Wells	191,576	191,576	191,576
Towers	1,058,394	1,058,394	1,058,394
Wellfield Development	8,000		
Pumping Station - Main	683,737	683,737	683,651
Master Meter Station #1	33,035	33,035	33,035
Hydrants	51,299	51,299	51,299
Booster Station	125,727	125,727	125,727
Meters and Service Taps	270,622	270,622	270,622
Depreciation Allowance	(1,193,455)	(904,263)	(615,222)
Depreciation Allowance - Machinery and Equipment	(7,258)	(5,151)	(3,044)
Depreciation Allowance - Office Furniture and Fixtures	(10,891)	(8,823)	(7,235)
Depreciation Allowance - Autos and Trucks	(12,338)	(9,545)	(6,751)
Depreciation Allowance - Buildings	(6,117)	(4,938)	(3,759)
	<u>6,416,101</u>	<u>6,646,649</u>	<u>6,920,310</u>
Net Property, Plant and Equipment			
	<u>6,416,101</u>	<u>6,646,649</u>	<u>6,920,310</u>
Other Assets:			
Organization Expense	4,988	9,976	14,963
Loan Closing Fees	17,615	16,474	17,205
Right-of-Ways	31,420	31,281	31,281
Advance Deposits	300	300	300
	<u>54,323</u>	<u>58,031</u>	<u>63,749</u>
Total Other Assets			
	<u>54,323</u>	<u>58,031</u>	<u>63,749</u>
Total Assets	<u><u>\$6,762,028</u></u>	<u><u>\$6,809,391</u></u>	<u><u>\$7,186,970</u></u>

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
BALANCE SHEET
AS OF DECEMBER 31, 1999, 1998, AND 1997
(Continued)

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Liabilities and Equity:			
Current Liabilities:			
Accounts Payable	\$23,162	\$15,163	\$16,422
Customer Deposits	1,809	1,597	1,091
Payroll Withholdings	1,662	1,480	623
Accrued Payroll	1,970	1,827	1,665
Accrued Payroll Taxes	229	640	
Current Portion of Long-Term Debt	<u>55,908</u>	<u>77,775</u>	<u>75,527</u>
Total Liabilities	<u>84,740</u>	<u>98,482</u>	<u>95,328</u>
Long-Term Liabilities:			
OWDA Project Loans	4,908,209	5,014,699	5,100,151
OWDA - \$85,000 Loan	81,319	82,991	80,833
OWDA - \$30,000 Loan	29,067	29,642	30,000
OWDA - \$15,400 Loan	10,863	11,082	
OWDA - Tap Subsidy Loan	1,119		
OWDA - Refinance Loan	222,457		
OWDA - Design Loan	49,502		
OPWC Issue II Round 3, CR314	111,375	111,375	119,625
OPWC Issue II Round 5, CR530	204,000	204,000	216,000
OPWC Issue II Round 7, CR729	268,600	268,600	284,400
OPWC Issue II Round 9, CR935	357,039	357,039	375,582
Note Payable - Citizens Bank		856	4,320
Less: Current Portion of Long-Term Debt	<u>(55,908)</u>	<u>(77,775)</u>	<u>(75,527)</u>
Total Long-Term Liabilities	<u>6,187,642</u>	<u>6,002,509</u>	<u>6,135,384</u>
Total Liabilities	<u>6,272,382</u>	<u>6,100,991</u>	<u>6,230,712</u>
Equity:			
Contributed Capital	173,400	155,600	152,800
Contributed Capital - Ohio Public Works Commission:			
Issue II Round 2, CR240	30,000	30,000	30,000
Issue II Round 4 & 5, CR529	120,000	120,000	120,000
Issue II Round 6, CR606	325,108	325,108	325,108
Issue II Round 9, CR914	278,129	278,129	278,129
Issue II Round Emerg. CU628	360,550	360,550	360,550
Issue II, CU27B	3,000		
Contributed Capital - CDBG			
Grant B-W-94-056-1	401,100	401,100	401,100
1998 Formula Funds	17,949		
Retained Earnings (Deficit)	<u>(1,219,590)</u>	<u>(962,087)</u>	<u>(711,429)</u>
Total Equity	<u>489,646</u>	<u>708,400</u>	<u>956,258</u>
Total Liabilities and Equity	<u>\$6,762,028</u>	<u>\$6,809,391</u>	<u>\$7,186,970</u>

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

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating Revenues:			
Water and Sewer Sales	\$544,647	\$515,890	\$466,979
Tap Fees	44,500	24,600	16,700
Finance Charges	<u>4,454</u>	<u>6,480</u>	<u>3,145</u>
 Total Operating Revenues	 <u>593,601</u>	 <u>546,970</u>	 <u>486,824</u>
Operating Expenses:			
Advertising	344	197	682
Auto-Truck Travel	265	540	360
Chemicals	1,347	961	1,527
Contract Labor	30,182	30,566	11,070
Fuel, Oil and Grease	902	861	879
Dues and Subscriptions	358	252	147
Insurance	5,450	10,165	4,514
Hospital Insurance	7,785	6,533	6,244
Legal and Accounting	39,974	11,128	12,490
Repairs and Maintenance	3,386	75	456
Office	3,206	3,114	3,516
Pension - PERS	7,965	7,278	7,323
Postage	2,090	2,047	2,189
Recording/Filing Fees	2,259	151	
Rent	1,200	1,200	1,320
Salaries	58,927	53,877	54,284
Supplies	22,252	10,416	11,115
Payroll Taxes	1,162	1,809	1,928
Telephone	2,917	2,818	3,715
Travel and Entertainment	610	1,085	1,868
Training	90	374	200
Utilities	24,937	21,507	21,547
Water Testing	2,973	3,574	3,644
Amortization	5,734	5,718	5,718
Miscellaneous		100	689
Depreciation	<u>297,340</u>	<u>296,709</u>	<u>283,666</u>
 Total Operating Expenses	 <u>523,655</u>	 <u>473,055</u>	 <u>441,091</u>
 Operating Income	 <u>69,946</u>	 <u>73,915</u>	 <u>45,733</u>
Non-Operating Revenues (Expenses):			
Interest Income	9,580	8,552	12,613
Workers Compensation Refund		1,887	
Miscellaneous	13,350	15,175	
Interest Expense	<u>(350,379)</u>	<u>(350,187)</u>	<u>(350,865)</u>
 Total Non-Operating Revenues (Expenses)	 <u>(327,449)</u>	 <u>(324,573)</u>	 <u>(338,252)</u>
 Net Loss	 (257,503)	 (250,658)	 (292,519)
 Retained Earnings - January 1	 <u>(962,087)</u>	 <u>(711,429)</u>	 <u>(418,910)</u>
 Retained Earnings - December 31	 <u>(\$1,219,590)</u>	 <u>(\$962,087)</u>	 <u>(\$711,429)</u>

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997**

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash Flows from Operating Activities:			
Net Loss	(\$257,503)	(\$250,658)	(\$292,519)
Adjustments to Reconcile Net Loss to Cash Provided by Operating Activities:			
Depreciation	297,340	296,709	283,666
Amortization	5,734	5,718	5,718
(Increase) Decrease in Accounts Receivable	17,488	(8,752)	(9,322)
(Increase) Decrease in Accrued Interest Receivable	70	322	(334)
(Increase) Decrease in Other Accounts Receivable			777
Increase (Decrease) in Accounts Payable	7,999	(1,259)	(59,965)
Increase (Decrease) in Customer Security Deposits	212	506	122
Increase (Decrease) in Payroll Withholdings	182	857	808
Increase (Decrease) in Accrued Payroll Payroll Taxes	(411)	640	
Increase (Decrease) in Accrued Payroll	143	162	244
	328,757	294,903	221,714
Total Adjustments			
Net Cash Provided by (Used by) Operating Activities	71,254	44,245	(70,805)
Cash Flows from Capital and Capital-Related Financing Activities:			
Capital Provided from Membership Fees	17,800	2,800	2,800
Proceeds from Capital Grants	20,949		199,477
Proceeds from Long-Term Debt	275,256	19,999	284,050
Principal Payments on Long-Term Debt	(111,990)	(150,890)	(129,166)
Cash Payments for Loan Closing Fees	(1,888)		(400)
Cash Payments for Right-of-Ways	(139)		(1,858)
Acquisition of Fixed Assets	(66,791)	(22,784)	(421,195)
	133,197	(150,875)	(66,292)
Net Cash Provided by (Used by) Capital and Capital-Related Financing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	204,451	(106,630)	(137,097)
Cash and Cash Equivalents - Beginning of Year	53,951	160,581	297,678
Cash and Cash Equivalents - End of Year	\$258,402	\$53,951	\$160,581
<u>Supplemental Disclosure of Cash Flow Information:</u>			
Cash Paid During the Period For Interest	350,379	350,187	350,865

Disclosure of Accounting Policy:

For purposes of the statement of cash flows, the District considers all highly liquid financial instruments with a maturity of one year or less to be cash equivalents.

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

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997**

1. REPORTING ENTITY

The Tri-County Rural Water and Sewer District (the District) is a water district organized under the provisions of Chapter 6119 of the Revised Code by the Common Pleas Court of Washington County on July 17, 1990. The District operates under the direction of a seven member Board of Directors. An appointed staff consisting of a general manager, distribution operator, and one office clerk are responsible for fiscal control of the resources of the District. The District provides water and sewer services to residents of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 Accounting

Enterprise funds are accounted for in a manner similar to private business enterprises where the intent of management is that the costs and expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

Enterprise funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.

B. Budgetary Process

The District's Board of Trustees currently do not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Ohio Revised Code Chapter 5705 applies to the District, regardless of whether the District levies property taxes. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

C. Inventory

The District considers inventories of materials and supplies as expended at the time of purchase; therefore, they do not appear in the accompanying financial statements.

D. Property, Equipment and Depreciation

Property and equipment are reported at cost. Construction costs of the water system are capitalized including interest incurred on construction projects until they are substantially completed.

Depreciation is charged to operations over the fixed assets' estimated useful lives on the straight-line basis. The useful lives of fixed assets are as follows:

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Equipment and Depreciation (Continued)

Furniture and Equipment	5-7 years
Leasehold Improvements	15 years
Buildings	15 years
Vehicles	5 years
Water System	25 years

E. Accounts Receivable

The District uses the direct method of writing off bad debts, thus no allowance for doubtful accounts has been established. This method is not in conformity with generally accepted accounting principles. However, any difference is considered to be immaterial to the financial statements.

F. Compensated Absences

GASB-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 an employee 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 financial statements as a whole.

G. Contributed Capital

Contributed capital represents resources from other governments and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital of the District has been in the form of membership fees from customers and various grants.

H. Estimates

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

I. Income Taxes

The District is a nonprofit governmental agency and therefore is exempt from federal and state income taxes.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)

3. DEPOSITS AND INVESTMENTS

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 Board 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 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 passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the District 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.

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 State treasury or any other obligation guaranteed as to principal and 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 (STAR Ohio).

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)**

3. DEPOSITS AND INVESTMENTS (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. 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.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At December 31, the carrying amount of the District's deposits was as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Demand Deposits	\$156,955	\$53,751	\$160,381
Certificate of Deposit	<u>101,247</u>	<u>0</u>	<u>0</u>
Total Deposits	<u>258,202</u>	<u>53,751</u>	<u>160,381</u>

At December 31, the bank balance of the District's deposits was as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Demand Deposits	\$174,387	\$59,243	\$163,443
Certificate of Deposit	<u>101,247</u>	<u>0</u>	<u>0</u>
Total Deposits	<u>275,634</u>	<u>59,243</u>	<u>163,443</u>

At December 31, 1999, \$200,000 of the bank balance was insured by the Federal Deposit Insurance Corporation. \$74,387 was collateralized by securities specifically pledged by the financial institution to the District and \$1,247 was uninsured and uncollateralized.

At December 31, 1998 all of the bank balance was covered by the Federal Deposit Insurance Corporation.

At December 31, 1997, \$100,000 of the bank balance was insured by the Federal Deposit Insurance Corporation and \$63,443 was collateralized by securities specifically pledged by the financial institution to the District.

Investments: The District's investments are required to be categorized 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 or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by 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 counterparty, or by its trust department or agent but not in the District's name.

The District did not have any investments during 1999, 1998, or 1997.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

4. LONG-TERM DEBT

Debt outstanding at December 31, 1999 consisted of the following:

Ohio Water Development Authority

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Note dated January 1, 1995, due 2021, with interest at 6.72%	\$49,680	\$4,605,944	\$4,655,624
Note dated July 1, 1995, due due 2021, with interest at 6.51%	2,766	249,819	252,585
Note dated January 30, 1997, due 2022, with interest at 6.12%	861	80,458	81,319
Note dated July 24, 1997, due 2023, with interest at 6.11%	305	28,762	29,067
Note date February 26, 1998, due 2023, with interest at 5.73%	112	10,751	10,863
Note dated June 24, 1999, due 2024, with interest at 5.56%	<u>2,184</u>	<u>220,273</u>	<u>222,457</u>
Totals	<u>\$55,908</u>	<u>\$5,196,007</u>	<u>\$5,251,915</u>

The note dated June 24, 1999 was issued to satisfy the principal and interest payments due on July 1, 1999 for all other OWDA loans outstanding.

The notes listed above are for the various fixed assets constructed to provide service from the wells to the distribution lines, including the operations plant and various storage facilities. Property and revenue of the District have been pledged to repay these debts.

The District has obtained a design loan for the engineering, aerals, land acquisitions, legal fees, and related costs to service portions of Center, Manchester, and Windsor Township in Morgan County. This loan is for \$87,924, to be repaid in semi-annual installments of \$9,584 over five years at an interest rate of 3.2 percent. The first payment is due July 1, 2000. At December 31, 1999 only \$49,502 had been drawn down on this loan.

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999, 1998 AND 1997
 (Continued)**

4. LONG-TERM DEBT (Continued)

The District has also obtained a tap-in subsidy loan which allows the District to fund the tap fees owed by their new customers. The customers will pay a surcharge on their bill until the tap fee is fully paid. This amount available for the District to borrow is \$316,800 at an interest rate of 3.2 percent. At December 31, 1999 no amounts had been borrowed on this Community Assistance Loan. The amount reflected on the general-purpose financial statements as of December 31, 1999 of \$1,119 is the loan fee of \$1,105 and accrued interest of \$14.

Ohio Public Works Commission

The District incurred various debt under Issue II funding of the Ohio Public Works Commission (OPWC). Terms of all existing notes payable include twenty (20) year maturity dates and an interest rate of zero (0) percent per annum.

The notes payable to the Ohio Public Works Commission are pursuant to Ohio Rev. Code § 164.05 and Ohio Admin. Code § 164-1-21. This Project Agreement entered into between the Ohio Public Works Commission and the District states that the above sums are to be used for the purpose of financing or reimbursing the costs of the indicated projects.

Balances on the OPWC notes payable as of December 31, 1999, are as follows:

Round 3	\$111,375
Round 5	204,000
Round 7	268,600
Round 9	<u>357,039</u>
Totals	<u>\$941,014</u>

Citizens Bank

On April 5, 1995, the District incurred debt in the amount of \$12,806 for the purchase of an office trailer. Terms of the loan included forty-eight payments of \$304 at an interest of 6.5 percent. The balance on the loan was paid off during 1999.

A reprieve has been granted to the District by OPWC for the 1999, 2000, and 2001 semi-annual note payments, and the terms of the loans were renegotiated on June 29, 1999 to be financed over 20 years at zero interest with the first payments starting January 1, 2002. The refinanced amount and semi-annual payments are as follows:

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)**

4. LONG-TERM DEBT (Continued)

	<u>Amount Refinanced</u>	<u>Payment Amount</u>
Round 3	\$111,375	\$2,784
Round 5	204,000	5,100
Round 7	268,600	6,715
Round 9	<u>357,039</u>	<u>8,926</u>
Totals	<u>\$941,014</u>	<u>\$23,525</u>

Additional funding available from OPWC for the current Phase III Extension Project includes a grant in the amount of \$150,000, and two loans of \$331,000 and \$16,000, at an interest rate of 2 percent. As of December 31, 1999 no monies had been drawn down on these funding sources.

The following is a schedule of future maturities of long-term debt, including interest of \$4,795,792 on the OWDA loans as of December 31, 1999 .

	<u>OWDA</u>	<u>OPWC</u>	<u>Total</u>
2000	\$232,221	\$0	\$232,221
2001	464,442	0	464,442
2002	464,442	47,051	511,493
2003	464,442	47,051	511,493
2004	464,442	47,051	511,493
Thereafter	<u>7,957,770</u>	<u>799,861</u>	<u>8,757,631</u>
Total	<u>\$10,047,759</u>	<u>\$941,014</u>	<u>\$10,988,773</u>

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Public Entities Pool of Ohio which covers the District for general liability, automobile liability, officials liability, employee benefit liability, and property insurance.

General liability insurance is covered with a \$1,000,000 per occurrence. Automobile liability has a \$1,000,000 limit with a \$250 deductible for comprehensive and collision coverage.

Officials' liability coverage is \$1,000,000 per occurrence and in the aggregate, including a \$500 deductible. Property insurance coverage is subject to a \$250 deductible for buildings, contents, and miscellaneous property. Settled claims have not exceeded insurance coverage in any of the past four years.

TRI-COUNTY RURAL WATER AND SEWER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999, 1998 AND 1997
(Continued)

6. DEFINED BENEFIT RETIREMENT SYSTEM

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The 1999, 1998, and 1997 employee contribution rate was 8.5% for employees. The 1999, 1998, and 1997 employer contribution rate was 13.55% of covered payroll.

The District's contributions to PERS for the years ended December 31, 1999, 1998 and 1997 were \$7,965, \$7,278 and \$7,323 respectively. These contributions were equal to the required contributions for each of the years.

7. POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement service 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 post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999, 1998, and 1997 employer contribution rate for local government employer units was 13.55% of covered payroll; 5.11% was the portion that was used to fund health care for 1997; 4.2% was the portion that was used to fund health care for 1999 and 1998.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investments earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999, 1998, and 1997 were \$523,599,349, \$440,596,663, and \$393,559,827, respectively. As of December 31, 1999, 1998, and 1997, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641, \$9,447,325,318, and \$8,292,570,002, respectively. The number of benefit recipients eligible for OPEB at December 31, 1999, 1998, and 1997 was 118,062, 115,579, and 113,906, respectively.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.



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 740-592-2110

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

Tri-County Rural Water and Sewer District
Washington County
Rt. 1 Box 238
Waterford, Ohio 4578

To the Board of Directors:

We have audited the general-purpose financial statements of Tri-County Rural Water and Sewer District, Washington County, Ohio, (the District) as of and for the years ended December 31, 1999, 1998, and 1997, and have issued our report thereon dated May 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 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 the management of the District in a separate letter dated May 10, 2000.

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 10, 2000.

This report is intended 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 fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 10, 2000



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

TRI-COUNTY RURAL WATER AND SEWER DISTRICT

WASHINGTON 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 6, 2000**