

**GREENFIELD TOWNSHIP  
WATER AND SEWER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

(Audited)  
For The Years Ended  
December 31, 2001 and 2000

**PEG ARNETT, CLERK**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Trustees  
Greenfield Township Water and Sewer District  
P.O. Box 172  
Carroll, Ohio 43112-0172

We have reviewed the Independent Auditor's Report of the Greenfield Township Water and Sewer District, Fairfield County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2000 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Greenfield Township Water and Sewer District is responsible for compliance with these laws and regulations.

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

JIM PETRO  
Auditor of State

July 16, 2002

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**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT**

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# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard  
Suite B  
Worthington, Ohio 43085

Telephone 614.846.1899  
Facsimile 614.846.2799

## Independent Auditor's Report

Board of Trustees  
Greenfield Township Water and Sewer District  
P.O. Box 172  
Carroll, Ohio 43112-0172

We have audited the accompanying general purpose financial statements of Greenfield Township Water and Sewer District, Fairfield 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 Greenfield Township Water and Sewer District, as of December 31, 2001 and 2000, and the results of its operations and its 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 a report dated June 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.

Trimble, Julian & Grube, Inc.  
June 13, 2002

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## BALANCE SHEET

As of December 31, 2001 and 2000

	2001	2000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 21,650	\$ 60,979
Accounts receivable	30,293	35,556
<b>TOTAL CURRENT ASSETS</b>	<b>51,943</b>	<b>96,535</b>
<b>RESTRICTED ASSETS</b>		
Escrow savings - contractor retainage	10,440	9,912
Cash in savings - contractor bonds	4,500	-
Assessment receivables:		
Water	317,792	327,228
Sewer	371,395	381,574
<b>TOTAL RESTRICTED ASSETS</b>	<b>704,127</b>	<b>718,714</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land easements	17,230	16,705
Water tower	52,100	52,100
Building - water plant	20,264	20,264
Water line construction	979,698	971,732
Sewer line construction	2,559,885	2,504,862
Water treatment plant improvements	657,792	657,792
Water planning	104,789	104,789
Sewer planning	134,373	134,373
General equipment	89,378	72,605
	4,615,509	4,535,222
Less: Accumulated depreciation	(946,658)	(763,344)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>3,668,851</b>	<b>3,771,878</b>
<b>OTHER ASSETS</b>		
Prepaid insurance	1,750	3,019
Loan fees, \$5,813 and \$5,255, net of accumulated amortization in 2001 and 2000, respectively	11,780	12,338
<b>OTHER ASSETS</b>	<b>13,530</b>	<b>15,357</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,438,451</b>	<b>\$ 4,602,484</b>

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

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## BALANCE SHEET - (Continued)

As of December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 49,642	\$ 29,233
Customer deposits	13,050	2,600
Judgment payable	-	42,500
Contract bonds payable	4,500	-
Retainage payable	10,439	9,911
Notes payable	74,401	59,247
TOTAL CURRENT LIABILITIES	<u>152,032</u>	<u>143,491</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	<u>4,058,902</u>	<u>4,065,009</u>
TOTAL LIABILITIES	<u>4,210,934</u>	<u>4,208,500</u>
<b>FUND EQUITY</b>		
Contributed capital:		
Grants	702,594	702,594
Assessments	962,000	962,000
Accumulated deficit	<u>(1,437,077)</u>	<u>(1,270,610)</u>
TOTAL FUND EQUITY	<u>227,517</u>	<u>393,984</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,438,451</u>	<u>\$ 4,602,484</u>

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

# GREENFIELD WATER AND SEWER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT

For the Years Ended December 31, 2001 and 2000

	<b>2001</b>	<b>2000</b>
<b>OPERATING REVENUES</b>		
Billing revenues	\$ 335,454	\$ 308,016
Late charge revenues	2,269	4,602
<b>TOTAL OPERATING REVENUES</b>	<b>337,723</b>	<b>312,618</b>
<b>OPERATING EXPENSES</b>		
Trustee fees	3,150	3,900
Contract labor	3,000	3,000
Operations and testing	32,121	31,986
Lancaster surcharge	144,715	88,890
Chemical and operating supplies	7,814	7,036
Sludge hauling	291	36,857
Repairs and maintenance	19,722	13,240
Telephone	3,577	3,446
Utilities	22,035	22,115
Accounting fees	5,800	5,519
Audit fees	277	5,500
Engineering fees	17,755	10,287
Legal fees	5,638	4,069
Billing fees	8,370	7,082
Office rent	3,000	3,000
Insurance	4,269	4,105
Advertising and communications	-	78
Office supplies	1,395	175
Postage	78	293
Bank service fees	26	306
Depreciation	183,314	179,958
Amortization	558	558
<b>Total operating expenses</b>	<b>466,905</b>	<b>431,400</b>
<b>Operating loss</b>	<b>(129,182)</b>	<b>(118,782)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Inspection fees (net of costs)	(1,978)	6,515
Tap fee revenue	151,555	51,730
Interest income	59,272	53,677
Meter fees	3,873	300
Cost of meters	(4,589)	(178)
Loss on sale of sewer plant and property	-	(102,138)
Land preparation costs	-	(10,487)
Interest expense	(245,735)	(219,663)
Miscellaneous income	317	115
<b>Net other income (expenses)</b>	<b>(37,285)</b>	<b>(220,129)</b>
<b>Net Loss</b>	<b>(166,467)</b>	<b>(338,911)</b>
<b>Accumulated deficit, beginning of year</b>	<b>(1,270,610)</b>	<b>(931,699)</b>
<b>Accumulated deficit, end of year</b>	<b><u>\$ (1,437,077)</u></b>	<b><u>\$ (1,270,610)</u></b>

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

# GREENFIELD WATER AND SEWER DISTRICT

## STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2001 and 2000

	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 342,986	\$ 314,542
Cash payments to suppliers for goods and services	<u>(272,005)</u>	<u>(264,027)</u>
Net cash provided by operating activities	<u>70,981</u>	<u>50,515</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Miscellaneous income	<u>317</u>	<u>115</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from customer deposits	10,450	2,600
Payments of judgements	(42,500)	(42,500)
Proceeds from OWDA loans	111,291	743,709
Tap fees	151,555	51,730
Inspection fee	(1,978)	6,515
Land preparation fees	-	(10,487)
Meter fees net of cost	(716)	122
Greenfield Township principal payments	-	(40,000)
OWDA principal payments	(77,893)	(63,436)
OWDA interest payments	(221,380)	(188,228)
First National principal payments	(24,351)	(25,323)
First National interest payments	(24,355)	(32,275)
Special assessment collections	19,615	24,812
Special assessment interest income	53,545	49,903
Cash received for sale of sewer plant and land	-	123,863
Capital outlay	<u>(69,637)</u>	<u>(602,528)</u>
Net cash used in capital and related financing activities	<u>(116,354)</u>	<u>(1,523)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on cash and investments	<u>5,727</u>	<u>3,774</u>
Net increase (decrease) in cash and cash equivalents	(39,329)	52,881
Cash and cash equivalents, beginning of year	<u>60,979</u>	<u>8,098</u>
Cash and cash equivalents, end of year	<u><u>\$ 21,650</u></u>	<u><u>\$ 60,979</u></u>

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

# GREENFIELD WATER AND SEWER DISTRICT

## STATEMENTS OF CASH FLOWS - Continued

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (129,182)	\$ (118,782)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation and amortization	183,872	180,516
<b>Changes in assets and liabilities:</b>		
Decrease in accounts receivable	5,263	1,924
(Increase) Decrease in prepaids	1,269	(3,019)
Increase (Decrease) in accounts payable	9,759	(10,124)
Total adjustments	<u>200,163</u>	<u>169,297</u>
Net cash provided by operating activities	<u>\$ 70,981</u>	<u>\$ 50,515</u>

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

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### **NOTE A – NATURE OF ORGANIZATION**

Greenfield Township Water and Sewer District (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established to provide water and sewer services to the residents of Greenfield Township. The District is directed by an appointed five-member Board of Trustees. The District's management believes these general purpose financial statements present all activities for which the District is financially accountable.

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District required no change from prior years. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

#### **1. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The GPFS includes the fund for which the District is "accountable". Accountability as described in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the District and whether exclusion would cause the District's GPFS to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the District.

Based on the foregoing criteria, there were no PCU's for the years reported on in the GPFS in accordance with GASB Statement No. 14.

#### **2. Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type which the District uses is described below:

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

**Enterprise Fund** - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Water & Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing these utilities, and loan and grant proceeds to improve the District's systems.

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

3. **Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

4. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. The District has adopted a budget and adopted and passed annual appropriations and resolutions for the years ended December 31, 2001 and 2000.

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

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

**Encumbrances** - The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District had no outstanding encumbrances at December 31, 2001 and 2000.

5. **Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. This measurement focus emphasizes the determination of net income. Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated (deficit)/earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

6. **Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees are recorded when the taps have been installed and the customer is using the service. All other revenue is recognized when earned.

7. **Accounts Receivable**

Accounts receivable are presented at their net realizable value. During 2001 and 2000 Water Quality Management, Inc. managed all delinquent accounts, including the enforcement of a shut-off policy. Uncollectible sewer account balances are certified to the County Auditor after administrative collection efforts have been exhausted. Unbilled water utility service receivables are recognized as revenue at year end.

8. **Restricted Assets**

As explained in Note D, a restricted savings account was established for contractor retainage and contractor bonds.

Receivables from assessments are considered to be restricted assets because their proceeds are restricted to future debt retirement of the associated projects.

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**9. Property, Plant, Equipment and Planning Costs**

Property, plant, equipment and planning costs are presented at cost and are depreciated over the estimated useful lives of the assets from 5 to 25 years, depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system are capitalized and included in property, plant and equipment. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest over the life of the construction loan, which is determined to be the estimated useful life of the assets.

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

**10. Amortization**

Loan costs are being amortized over the life of each loan beginning on the first date of each loan. Amortization is computed using the straight-line method for financial statement reporting purposes. Loan cost amortization expense charged to operations for the years ended December 31, 2001 and 2000 was \$558 each year.

**11. Income Tax**

The District operates as a public water/sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

**12. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**13. Interest Expense**

Interest expense represents the interest portion of construction loan payments to the Ohio Water Development Authority, as well as amounts paid and accrued for the note obtained through First National Bank of McConnelsville, Ohio.

**14. Interest Income**

Interest income represents earnings from the checking account, savings account, and assessment receivables. Interest income earned and received by the District totaled \$59,272 and \$53,677 for the years ended December 31, 2001 and 2000, respectively.

**15. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

### **NOTE C – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 are as follows:

<u>Budgetary vs. Actual Receipts</u>	2001	2000
Budgeted Receipts	\$ 802,869	\$ 554,729
Actual Receipts	<u>695,486</u>	<u>1,321,685</u>
Variance-Favorable/Unfavorable	<u>\$(107,383)</u>	<u>\$ 766,956</u>

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

**NOTE C – BUDGETARY ACTIVITY - Continued**

Budgetary vs. Actual Budgetary Basis Expenses

	<u>2001</u>	<u>2000</u>
Appropriation-Operating Expenses	\$405,943	\$ 250,896
Actual Expenses	<u>317,199</u>	<u>919,542</u>
Variance-Favorable/(Unfavorable)	<u>\$ 88,744</u>	<u>\$(668,646)</u>
Appropriation - Debt Expenses	\$349,720	\$288,642
Actual Expenses	<u>347,979</u>	<u>349,262</u>
Variance-Favorable/(Unfavorable)	<u>\$ 1,741</u>	<u>\$( 60,620)</u>

**NOTE D – ESCROW SAVINGS**

A separate escrow savings account was established to maintain the contractor retainage balance due on the construction of the sewage lines. Interest earned is due and payable to the contractor upon project completion, pending approval by the Board. In addition a separate savings account has been set up for contractor bonds.

**NOTE E – ACCOUNTS AND ASSESSMENTS RECEIVABLE**

Following are accounts receivable balances presented by aging classifications as of December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Current receivables (0-30 days)	\$28,556	\$33,355
Delinquent receivables (31-60 days)	980	1,583
Delinquent receivables (61-90 days)	270	313
Delinquent receivables (over 90 days)	<u>487</u>	<u>305</u>
Total accounts receivable	<u>\$30,293</u>	<u>\$35,556</u>

Assessment receivables represent the remaining balance of construction assessments less prepayments and principal payments from the County Auditor. Once a project is complete, the related assessments are calculated. Prepayments are permitted for a specified period, and remaining unpaid balances are certified to the county auditor for semi-annual collection over 25 years through real estate tax billings. Interest is being charged at the same rate as the respective OWDA loan. The District had amounts receivable for assessments of water and sewer line construction costs to local service users in the amounts of \$317,792 and \$371,395, respectively, as of December 31, 2001, and \$327,228 and \$381,574, respectively as of December 31, 2000. These amounts will be paid over the life of the related debt including interest at a rate of 6.72%.

**NOTE F – CONTRIBUTED CAPITAL**

Capital grant - In April, 1992, a \$15,000 capital grant was received to fund start-up costs.

Capital grant-construction in progress - From 1993 through 1994, \$420,762 of capital grant funds were received to fund construction costs of the water treatment plant improvements.

Capital grant-credit enhancement - From 1996 through 1998, \$79,233 capitalized interest and \$187,599 interest expense on the OWDA sewer line loan was paid by Ohio Public Works Commission through a credit enhancement grant.

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### **NOTE F – CONTRIBUTED CAPITAL - Continued**

Assessments – Contributed capital for assessments totals \$962,000 at December 31, 2001 and 2000, and represent the prepaid and certified assessments to customers for construction costs.

### **NOTE G – CURRENT AND LONG-TERM DEBT – PLANNING AND CONSTRUCTION LOANS**

Current and long-term debts at December 31, 2001 and 2000 are as follows:

	<u>Interest Rate</u>	<u>First Payment</u>	<u>Contract Term</u>	<u>2001</u>	<u>2000</u>
<b><i>OWDA Loans:</i></b>					
Construction Loan 2103	7.24%	1/1/1994	25 yrs.	\$ 79,098	\$ 81,563
Construction Loan 2104	7.24%	1/1/1994	25 yrs.	79,098	81,563
Construction Loan 3011	6.58%	7/1/1996	25 yrs.	188,088	193,017
Construction Loan 3035	6.72%	1/1/1997	25 yrs.	915,283	937,860
Construction Loan 3036	6.72%	1/1/1997	25 yrs.	1,358,733	1,392,249
Construction Loan 3036S	6.32%	1/1/1998	25 yrs.	67,883	69,635
Construction Loan 9057	6.13%	1/1/2002	25 yrs.	<u>1,159,746</u>	<u>1,058,644</u>
Total OWDA Loans				<u>3,847,929</u>	<u>3,814,531</u>
<b><i>Other Loans:</i></b>					
First National Bank	8.92%	5/20/1999	10 yrs.	<u>285,374</u>	<u>309,725</u>
Total loans				4,133,303	4,124,256
Less current maturities				<u>(74,401)</u>	<u>(59,247)</u>
				<u>\$4,058,902</u>	<u>\$4,065,009</u>

The current and long-term construction loans listed are with Ohio Water Development Authority (OWDA). As construction begins on any project, specified amounts from approved OWDA construction loans are used to repay OWDA planning loans. It is the intent of the District to expand the water and sewer services within the District.

The District has a ten-year Water Resource Revenue Bond Anticipation Note payable to First National Bank of McConnelsville, Ohio, with a balance of \$285,374 and \$309,725 as of December 31, 2001 and 2000. The maximum amount available to the District is \$350,799. Principal and interest payments are due on the 20<sup>th</sup> day of each month, ending April 20, 2009. Interest is calculated at a rate of 8.92% and was paid through December 31, 2001 and 2000.

Future principal and interest payments on all loans are as follows, including interest of \$3,390,529:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007 and after</u>
<b><i>OWDA Loans:</i></b>						
Construction Loan 2103	\$ 8,370	\$ 8,370	\$ 8,370	\$ 8,370	\$ 8,370	\$ 96,251
Construction Loan 2104	8,370	8,370	8,370	8,370	8,370	96,251
Construction Loan 3011	17,629	17,629	17,629	17,629	17,629	246,805
Construction Loan 3035	85,601	85,601	85,601	85,601	85,601	1,241,216
Construction Loan 3036	127,075	127,075	127,075	127,075	127,075	1,842,587
Construction Loan 3036S	6,154	6,154	6,154	6,154	6,154	89,230
Construction Loan 9057	92,066	92,066	92,066	92,066	92,066	1,795,282
<b><i>Other Loans:</i></b>						
First National Bank	<u>53,166</u>	<u>53,166</u>	<u>53,166</u>	<u>53,166</u>	<u>53,166</u>	<u>124,055</u>
	<u>\$398,431</u>	<u>\$398,431</u>	<u>\$398,431</u>	<u>\$398,431</u>	<u>\$398,431</u>	<u>\$5,531,677</u>

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### **NOTE H – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS**

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

Interim deposits represent interim 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 Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any 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 items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### **NOTE H – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS- 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 are the carrying amount of deposits and their classifications at December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
The District carrying amount of deposits	<u>\$36,590</u>	<u>\$70,891</u>
Bank carrying amount of deposits	<u>\$42,381</u>	<u>\$98,127</u>
Insured by the FDIC	<u>\$42,391</u>	<u>\$98,127</u>

At years ended December 31, 2001 and December 31, 2000, the full bank balance was covered by federal depository insurance.

### **NOTE I – OTHER FUND DISCLOSURES**

The accumulated fund deficit balance for the District was \$1,437,077 and \$1,270,610 at December 31, 2001 and 2000, respectively.

### **NOTE J – RISK MANAGEMENT**

The Sewer District contracted with Rinehart-Walters-Danner Insurance for commercial general liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$3,000,000 for an aggregate total.

### **NOTE K – PENDING LITIGATION**

The District's general legal counsel is the O'Keefe Law Office, Bexley, Ohio.

During the period from January 1 to December 31, 2000, the Greenfield Township Water and Sewer District was involved in a legal action concerning an event that took place on or about August 18, 1997. Bestway Mechanical Contracting Company claimed damages of \$250,000, plus interest against the District for a breach of contract involving the construction of a sanitary sewer line project. The Plaintiff and District entered into a confidential settlement agreement during 2000 and forever released each other from all claims regarding this matter. All costs related to this legal action have been recorded in these financial statements.

During the period from January 1 to December 31, 2001, there are no contingent liabilities or pending litigation for the District.

# GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### NOTE L – COMPLIANCE

Ohio Revised Code Section 5705.41(B) requires that no subdivision is no expend money unless it has been appropriated.

It was noted during the audit that for the year ended December 31, 2000, the District had expenses exceeding appropriations:

<u>Budget Description</u>	<u>Appropriations</u>	<u>Expenses</u>	<u>Excess</u>
Operating Expenses	\$250,896	\$919,542	\$(668,646)
Debt Expenses	288,642	349,262	(60,620)

### NOTE M – CASH MANAGEMENT

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles which contemplates continuation of the District as a going concern. However, the District has had substantial operating losses in recent years. In addition, the District has used substantial amounts of working capital in its operations. Further, at December 31, 2001 and 2000, current liabilities exceed current assets by \$100,089 and \$46,956, respectively.

In view of these matters, realization of a major portion of assets in the accompanying balance sheet is dependent upon continued operations of the District, which in turn is dependent upon the District's ability to meet its financing requirements and the success of its future operations. Management believes that actions presently being taken to revise the District's operating and financial requirements provide the opportunity for the District to continue as a going concern.

### NOTE N - SUBSEQUENT EVENT

In 2002, the District contracted with the Fairfield County Water and Sewer Department to perform its billing and collection functions. The District ended its relationship with Water Quality Management, Inc. who previously performed these functions.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard  
Suite B  
Worthington, Ohio 43085

Telephone 614.846.1899  
Facsimile 614.846.2799

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

Board of Trustees  
Greenfield Township Water and Sewer District  
P.O. Box 172  
Carroll, OH 43112-0172

We have audited the general purpose financial statements of Greenfield Township Water and Sewer District, Fairfield County, Ohio, (the "District"), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as 2000-GTWS-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Greenfield Township Water and Sewer District in a separate letter dated June 13, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenfield Township Water and Sewer 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 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated June 13, 2002.

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

Trimble, Julian & Grube, Inc.  
June 13, 2002

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT  
FAIRFIELD COUNTY, OHIO**

**DECEMBER 31, 2001 AND 2000**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2000-GTWSO-001
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit for the year ended December 31, 2000 the District had expenses exceeding appropriations:

<u>Budget Description</u>	<u>Appropriations</u>	<u>Expenses</u>	<u>Excess</u>
Operating Expenses	\$250,896	\$919,542	\$(668,646)
Debt Expenses	288,642	349,262	(60,620)

With expenses exceeding appropriations, the District is spending monies not lawfully appropriated for and certified.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenses so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis. We recommend the District utilize its accounting software or a spreadsheet to help monitor the budget.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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

**GREENFIELD TOWNSHIP WATER AND SEWER DISTRICT**

**FAIRFIELD 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  
AUGUST 6, 2002**