



**JEFFERSON WATER AND SEWER DISTRICT  
FINANCIAL STATEMENTS  
Years Ended June 30, 1999 and 1998**



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**FINANCIAL STATEMENTS**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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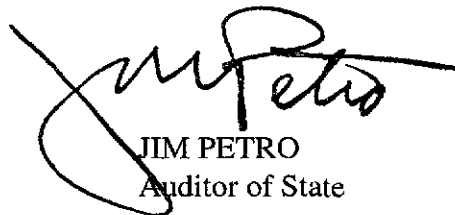
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The Board of Trustees  
Jefferson Water and Sewer District  
Blacklick, Ohio

We have reviewed the Independent Auditor's Report of the Jefferson Water and Sewer District, Franklin County, prepared by Jones, Cochenour & Co., for the audit period July 1, 1997 through June 30, 1999. 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 Jefferson Water and Sewer District is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

January 4, 2000



## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Jefferson Water and Sewer District  
Blacklick, Ohio

We have audited the financial statements of Jefferson Water and Sewer District as of and for the years then ended June 30, 1999 and 1998, as listed in the table of contents. These financial statements are the responsibility of the Jefferson Water and Sewer District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Water and Sewer District as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated December 16, 1999 on our consideration of the Jefferson Water and Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

We have audited the financial statements of Jefferson Water and Sewer District as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 16, 1999. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The year 2000 supplementary data is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the District is or will become year 2000 compliant, the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

Jones, Cochenour & Co.

Jones, Cochenour & Co.  
December 16, 1999

**JEFFERSON WATER AND SEWER DISTRICT**  
**BALANCE SHEETS**  
**June 30, 1999 and 1998**

	<b>1999</b>	<b>1998</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 185,527	\$ 696,560
Accounts receivable	143,310	105,111
Other receivable	-	725
Special assessments receivable	580,310	620,981
Notes receivable	37,671	41,242
Prepaid expenses	-1,334	2,450
Property, plant and equipment, net of depreciation	8,992,766	8,656,081
Deferred loan costs, net of amortization	14,162	14,198
<b>TOTAL ASSETS</b>	<b>\$ 9,955,080</b>	<b>\$ 10,137,348</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	\$ 60,619	\$ 10,456
Accrued and withheld payroll taxes	7,134	6,878
Accrued interest payable	-	248,640
Customer deposits	43,350	46,500
Developer deposits	56,223	46,469
Notes payable	6,675,936	6,507,989
<b>TOTAL LIABILITIES</b>	<b>6,843,262</b>	<b>6,866,932</b>
<b>FUND BALANCES</b>		
Contributed capital	4,157,988	4,157,988
Accumulated deficit	(1,046,170)	(887,572)
<b>TOTAL FUND BALANCES</b>	<b>3,111,818</b>	<b>3,270,416</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,955,080</b>	<b>\$ 10,137,348</b>

See notes to the financial statements

**JEFFERSON WATER AND SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**Years Ended June 30, 1999 and 1998**

	1999	1998
<b>REVENUES</b>		
Service fees	\$ 534,868	\$ 389,740
Late charges	19,748	14,221
Developer service fees	127,875	119,946
Tap fees	365,480	396,497
Meter fees	33,627	20,144
Interest income	52,231	68,587
Fire hydrant usage	10,859	8,391
Rent income	5,500	5,400
Miscellaneous	6,538	21,456
<b>TOTAL REVENUES</b>	<b>1,156,726</b>	<b>1,044,382</b>
<b>EXPENSES</b>		
Testing	26,170	18,479
Subcontract services	45,819	75,523
Plant materials	10,133	14,567
Plant equipment and supplies	3,089	301
Plant chemicals	18,571	12,776
Interest expense	481,628	490,036
Salaries	163,984	142,173
Trustee fees	12,075	12,200
Utilities	63,235	56,241
Board discretionary expenses	1,734	-
Office supplies	14,372	8,951
Advertising	991	306
Insurance	11,805	10,334
Legal and accounting	32,180	25,380
Engineering	2,555	-
Repairs and maintenance	11,813	9,099
Payroll taxes and benefits	47,118	40,572
Fees and licenses	1,988	1,489
Temporary help	2,611	3,278
Dues and subscriptions	1,284	1,093
Meter expense	30,259	9,845
Tap installation expense	33,147	-
Service agreement	9,175	10,765
Travel and other	4,401	4,714
Loss on sale of vehicle	-	4,342
Miscellaneous	2,657	2,477
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>1,032,794</b>	<b>954,941</b>
<b>DEPRECIATION</b>	<b>(281,082)</b>	<b>(273,751)</b>
<b>AMORTIZATION</b>	<b>(1,448)</b>	<b>(1,104)</b>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<b>\$ (158,598)</b>	<b>\$ (185,414)</b>

See notes to the financial statements

**JEFFERSON WATER AND SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - CONTINUED**  
**Years Ended June 30, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
<b>CHANGES IN FUND BALANCES:</b>		
<b>CONTRIBUTED CAPITAL</b>		
Balance at June 30, 1999 and 1998	\$ 4,157,988	\$ 4,157,988
<b>ACCUMULATED DEFICIT</b>		
Balance, beginning of fiscal year as previously reported	(887,572)	(702,158)
Excess of expenses over revenues	(158,598)	(185,414)
Balance, end of fiscal year	(1,046,170)	(887,572)
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,111,818</b>	<b>\$ 3,270,416</b>

*See notes to the financial statements*



**JEFFERSON WATER AND SEWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 1999 and 1998

	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Service customers	\$ 532,445	\$ 419,053
Tap and meter fees	383,499	605,056
Developer services	137,629	139,183
Interest earned	52,231	68,587
Other sources	<u>23,623</u>	<u>34,522</u>
	1,129,427	1,266,401
Cash paid for:		
Materials and supplies	(11,177)	(14,869)
Salaries and fringe benefits	(222,921)	(199,107)
Professional fees	(31,172)	(25,380)
Repairs and maintenance	(83,802)	(103,101)
Utilities	(63,235)	(56,241)
Interest	(730,268)	(475,788)
Other expenses	<u>(87,324)</u>	<u>(81,410)</u>
	<u>(1,229,899)</u>	<u>(955,896)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(100,472)</b>	<b>310,505</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and construction in progress	(617,767)	(607,979)
Proceeds from sale of vehicle	<u>-</u>	<u>2,000</u>
<b>NET CASH USED FROM INVESTING ACTIVITIES</b>	<b>(617,767)</b>	<b>(605,979)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional notes payable	422,779	317,354
Principal payments on notes payable	(254,832)	(157,272)
Assessments activity	40,671	54,950
Additional loan fees	<u>(1,412)</u>	<u>(1,029)</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>207,206</b>	<b>214,003</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(511,033)</b>	<b>(81,471)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b><u>696,560</u></b>	<b><u>778,031</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>\$ 185,527</u></b>	<b><u>\$ 696,560</u></b>

See notes to the financial statements

**JEFFERSON WATER AND SEWER DISTRICT  
STATEMENTS OF CASH FLOWS - CONTINUED  
Years Ended June 30, 1999 and 1998**

	1999	1998
<b>RECONCILIATION OF EXCESS EXPENSES OVER REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Excess of expenses over revenues	\$ (158,598)	\$ (185,414)
Adjustments for non-cash items:		
Depreciation and amortization	282,530	274,855
Loss on sale of vehicle	-	4,342
(Increase) decrease in assets:		
Accounts receivable	(38,199)	219,463
Other receivable	725	(725)
Notes receivable	3,571	(13,707)
Prepaid expenses	1,116	(492)
Increase (decrease) in liabilities:		
Accounts payable	50,163	(14,890)
Customer deposits	(3,150)	(2,250)
Accrued payroll and payroll taxes	256	(1,977)
Accrued benefits	-	(2,185)
Accrued interest payable	(248,640)	14,248
Developer deposits	9,754	19,237
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (100,472)</b>	<b>\$ 310,505</b>

See notes to the financial statements

**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**DESCRIPTION OF THE ENTITY AND CONCENTRATION OF CREDIT RISKS**

Jefferson Water and Sewer District ("JWSD" or "District") was created by the Court of Common Pleas of Franklin County to provide water and sewer services to the residents of Jefferson Township in accordance with the provisions of Section 6119, et. seq. of the Revised Code. JWSD is managed by a Board comprised of five appointed trustees. The District extends credit to its customers.

**1. 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 Government Accounting Standards Board and other recognized authoritative sources. Under the guidelines of GASB 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:

**Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

**Basis of Presentation – Fund Accounting**

The accounts of Jefferson Water and Sewer 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 balance, 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 Jefferson Water and Sewer District uses is described below:

**Propriety 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 Jefferson Water and Sewer District is the Enterprise Fund. Under the guidelines of GASB 20, Jefferson Water and Sewer District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to proprietary activities. The adoption of this approach to accounting for proprietary activities by Jefferson Water and Sewer District required no change from prior years.

**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.

**Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees from developers is recorded when construction of the main water and sewer lines to a development is complete and Jefferson Water and Sewer District and the developer have satisfied the terms of the tap agreement. The principle portion of tap fee revenues from customer five-year note receivables are recognized in the year the note is executed; interest from the note receivables is recognized in the year earned. All other revenue is recognized when earned.

JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS -CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

Accounts receivable are shown at their net realizable value. The direct write-off method is used to record bad debts. Uncollectible accounts receivable are charged to operations during the period in which they are determined to be uncollectible. Bad debts are only recorded after all efforts for collection are exhausted, including certifying delinquent accounts to the county auditor, which are attached to real estate tax billings.

Property, Plant and Equipment

Property, plant and equipment are stated at cost (except see next paragraph referring to donated developer lines) and are depreciated over the estimated useful lives of the assets from 5 years to 50 years depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system infrastructure 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.

Donated developer lines are stated at fair value based on developer documentation, and are depreciated over 50 years, which is the estimated useful lives 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.

Amortization

Loan costs are being amortized over sixty months 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 year ended June 30, 1999 and 1998 was \$1,448 and \$1,104, respectively.

Provision for Income Tax

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

Cash and Cash Equivalents

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

Concentration of Credit Risks

The District did not have collateralization of securities held by the District's agent in the District's name for the year ended June 30, 1999. The excess beyond the federal depository insurance amount was \$659,540.

Contributed Capital

The District recognizes as contributed capital, grants received for construction costs, special assessments to customers for construction costs and donated assets from developers.

Board Designated Cash Fund

During the 1999 fiscal year, the Board of Trustees set up a \$1,500 cash fund, via resolution, for expenditures to be designated by the Trustees. This procedure is in accordance with the Ohio Revised Code. At June 30, 1999, the fund had not been replenished following expenditures made during the year; therefore, no balance sheet asset totals remain at year-end. Board discretionary expenditures for the fiscal year ending June 30, 1999, totaled \$1,734 and were approved as bills were paid individually.

**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising costs

The District expenses advertising costs as these costs are incurred.

**2. RECEIVABLES**

Accounts receivables are shown at their net realizable value, and are broken into the following aging classifications as of June 30, 1999 and 1998:

	1999	1998
Current receivables (0-30 days)	\$ 81,499	\$ 42,946
Delinquent receivables (31-60 days)	5,364	23,352
Delinquent receivables (61-90 days)	4,151	38,813
Delinquent receivables (91+ days)	52,296	-
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>\$ 143,310</b>	<b>\$ 105,111</b>

Included in the aged accounts receivables are the amounts receivable from developer tap fees for construction of the main water and sewer lines to a development in the amount of \$66,957 and \$47,778 as of June 30, 1999 and 1998, respectively.

In addition, the District had amounts receivable for assessments of water and sewer line construction costs to local service users in the amounts of \$580,310 and \$620,981 as of June 30, 1999 and 1998, respectively. These amounts will generally be paid over the life of the related debt including interest at rates ranging from 6.16% to 7.14%.

Included in the delinquent receivables is an amount due from Bill Meeks Heit Publishing in the amount of \$24,724, the District has contacted their attorney to collect this amount and they believe it will be collected.

Notes receivables consists of five-year, 7% per annum receivables for voluntary water and sewer tap agreements, and are to be received as follows:

	1999 Principle Receivable	1998 Principle Receivable
<u>Year Ending June 30:</u>		
1999	\$ -	\$ 10,499
2000	12,770	11,397
2001	10,573	9,632
2002	6,713	5,536
2003	5,658	3,996
2004	1,957	182
	<b>\$ 37,671</b>	<b>\$ 41,242</b>

**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**4. NOTES PAYABLE - CONTINUED**

	<u>Notes Payable 1999</u>	<u>1999 Principal Additions/ (Payments)</u>	<u>Notes Payable 1998</u>	<u>1998 Principal Additions/ (Payments)</u>
7.14% note payable to Ohio Water Development Authority due in semi-annual payments of \$7,170, including interest through July, 2018.	146,667	(5,295)	151,962	(3,257)
6.16% note payable to Ohio Water Development Authority due in semi-annual payments of \$18,861, including interest through January, 2020.	432,490	(15,501)	447,991	(9,539)
5.85% note payable to Ohio Water Development Authority due in semi-annual payments of \$7,797, including interest through January, 2021.	188,015	(6,449)	194,464	(3,985)
6.72% note payable to Ohio Water Development Authority due in semi-annual payments of \$25,247, including interest through January, 2021.	570,873	(17,508)	588,381	(10,698)
6.18% note payable to Ohio Water Development Authority due in semi-annual payments of \$2,360, including interest through January, 2023.	57,156	(1,810)	58,966	59,722 (756)
6.51% note payable to Ohio Water Development Authority due in semi-annual payments of \$9,856, including interest through July, 2022.	231,813	(6,075)	237,888	(2,337)
5.88% note payable to Ohio Water Development Authority due in semi-annual payments of \$9,589, including interest through January, 2023.	240,900	(2,058)	242,958	242,555
5.66% note payable to Ohio Water Development Authority due in semi-annual payments of \$15,681, including interest through January, 2025.	414,200	414,200	-	-
11.25% vehicle installment note payable due in 36 monthly payments of \$329.	-	-	-	(4,293)
11.24% computers installment note payable due in 36 monthly payments of \$282.	7,553	8,579 (1,026)	-	-
7.10% copier installment note payable due in 36 monthly payments of \$164.	2,047	(1,613)	3,660	5,304 (1,644)
3.90% vehicle installment note payable due in 36 monthly payments of \$295.	3,180	(3,886)	7,066	9,999 (2,933)
<b>TOTAL</b>	<u>\$ 6,675,936</u>	<u>\$ 167,947</u>	<u>\$ 6,507,989</u>	<u>\$ 160,082</u>

**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**4. NOTES PAYABLE - CONTINUED**

Maturities of the notes payable are as follows:

	<u>1999</u> <u>Principle</u>	<u>1999</u> <u>Interest</u>	<u>1998</u> <u>Principle</u>	<u>1998</u> <u>Interest</u>
1999	\$ -	\$ -	\$ 172,933	\$ 492,285
2000	100,077	234,307	190,469	475,152
2001	203,891	483,922	201,016	459,727
2002	217,738	468,829	215,680	444,606
2003	232,076	452,590	231,952	428,334
2004	249,552	435,114	-	-
Thereafter	<u>5,672,602</u>	<u>3,496,599</u>	<u>5,495,939</u>	<u>3,461,790</u>
	<u>\$ 6,675,936</u>	<u>\$ 5,571,361</u>	<u>\$ 6,507,989</u>	<u>\$ 5,761,894</u>

**5. TAP FEE AGREEMENTS**

JWSD has signed tap agreements under which developers have agreed to purchase water and sewer taps over the next several years. The developers have secured their obligation to purchase these taps by signing irrevocable, unconditional letters-of-credit. The following is the schedule of tap payments to be made to JWSD:

	<u>1999</u>	<u>1998</u>
1999	\$ -	\$ 446,300
2000	257,950	398,200
2001	930,091	341,341
2002	1,023,000	264,000
2003	1,006,549	1,254,000
2004 and thereafter	<u>990,000</u>	<u>-</u>
	<u>\$ 4,207,590</u>	<u>\$ 2,703,841</u>

**6. CASH 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.

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.

**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**6. CASH AND INVESTMENTS - CONTINUED**

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, 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 may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specified 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. Payments 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 presented by a certificate, upon receipt of confirmation of transfer from the custodian.



**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**6. CASH AND INVESTMENTS - CONTINUED**

**Cash on hand**

At year end, the District had \$100 in undeposited cash on hand which is included on the balance sheet of the District as part of cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institution, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits**

At June 30, 1999 and 1998, the carrying amount of the District's deposits were \$185,427 and \$692,706, and the bank balances were \$549,000 and \$759,540, respectively. The bank balance, \$100,000 was covered by federal depository insurance and \$659,540 was collateralized by securities held by the District's agent in the District's name for June 30, 1998. The bank balance, \$100,000 was covered by federal depository insurance and the \$449,000 was not collateralized for June 30, 1999.

**Investments**

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 includes investments that are insured or registered for which the securities are held in the counter party's trust department or 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 counter party or by its trust department but not in the District's name. Investments in STAR Ohio are not categorized since they are not evidenced by securities that exist in physical or book entry form. The District did not have any investments for the year ended June 30, 1999.

	1998	
	Carrying Value	Market Value
STAR Ohio	\$ 3,754	\$ 3,754

The classification of cash and cash equivalents, and investments on the combined financial statements, is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	1999		1998	
	Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 185,527	\$ -	\$ 696,560	\$ -
<b>Investments:</b>				
STAR Ohio	-	-	(3,754)	3,754
<b>Total</b>			692,806	3,754
Cash on hand	(100)	-	(100)	-
<b>GASB Statement No. 3</b>	<b>\$ 185,427</b>	<b>\$ -</b>	<b>\$ 692,706</b>	<b>\$ 3,754</b>

**JEFFERSON WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**7. PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN**

*Jefferson Water and Sewer District participates in the Public Employee Retirement System of Ohio ("PERS"), a cost-sharing multi-employer defined pension plan operated by the State. 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 statute per Chapter 145 of the Ohio Revised Code. PERS issued a stand-alone financial report. Interested parties may obtain a copy of the report by making a written request to 277 East Town Street, Columbus, Ohio 43215-4462 or by calling (614) 466-2085.*

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate was 8.5% and the employer contribution rate was 13.55% of covered payroll; 8.5% was the portion used to fund pension obligations.

*The pension contribution requirement for Jefferson Water and Sewer District for the years ended June 30, 1999, 1998 and 1997 was \$31,176, \$28,467 and \$25,106, respectively.*

**8. PENDING LITIGATION**

JWSD has pending litigation related to the possible revocation of the permit for the District's waste water treatment plant and its permit for the discharge of waste water by the treatment plant. To date, the District has a current permit and is in operations. The effects of the revocation of the permits would result in the treatment plant having to be taken out of service and dismantled. In the opinion of the District's management, the best case, and far more likely outcome, is that the permit will be upheld, and the plant will be allowed to continued in operation.

**9. OTHER REQUIRED FUND DISCLOSURES**

The accumulated fund deficit for JWSD was \$1,046,170 and \$887,572 at June 30, 1999 and 1998, respectively.

**10. RELATED PARTY TRANSACTIONS**

The District had related party transactions with Ronald Starcher. Mr. Starcher is the husband of Robin Starcher, Office Manager of the Jefferson Water and Sewer District. The work performed by Mr. Starcher included meter readings and landscaping, with payments totaling \$1,037 for the year ended June 30, 1999.

**11. 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 contracted with Westfield Companies Insurance for commercial general and public liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$2,000,000 for an aggregate total.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction of coverage from the prior year.

**JEFFERSON WATER AND SEWER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
GASB 98-1  
(UNAUDITED)  
JUNE 30, 1999**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

Although a written assessment report and backup documentation were not available, the District believes that all mission-critical computer-related systems in the administrative offices, as well as the processing facilities, are Year 2000 compliant.

The District utilizes Peachtree for financial purposes and a Unix-based Utility Management System for Billing. The District believes both are Year 2000 compliant.

The District has not acquired documentation regarding the Year 2000 compliance of the building systems and mission critical third parties upon which the District depends in order to provide services.

The District has acquired all new hardware.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**The Board of Trustees  
Jefferson Water and Sewer District  
Blacklick, Ohio**

We have audited the financial statements of Jefferson Water and Sewer District (the "District") as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 16, 1999. 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 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-1813-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson 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 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 we have reported to management of Jefferson Water and Sewer District in a separate letter dated December 16, 1999.

This report is intended for the information and use of the board of trustees, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.  
December 16, 1999

**JEFFERSON WATER AND SEWER DISTRICT  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
JUNE 30, 1999**

<b>Finding Number</b>	<b>1999-1813-001</b>
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Ohio Rev. Code 135.18 requires that a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds or pledged security. The District did not have pledged securities on its deposits beyond the federal deposit insurance of \$100,000. The bank balance at June 30, 1999 was \$549,000. We recommend the District contact the bank and obtain sufficient collateralization of the public deposits. The District corrected the collateralization problem subsequent to the date of the report.

**JEFFERSON WATER AND SEWER DISTRICT  
CONCLUSION STATEMENT**

**A post-audit conference was waived by Jefferson Water and Sewer District. A preliminary report was provided to the district and responses were received and reviewed.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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JEFFERSON WATER AND SEWER DISTRICT

FRANKLIN 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.

By: Susan Babbitt

Date: JAN 13 2000