



**SOUTHERN PERRY COUNTY WATER DISTRICT
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHERN PERRY COUNTY WATER DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Southern Perry County Water District, Perry County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These 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 the Southern Perry County Water District, Perry County, Ohio, as of December 31, 1999 and 1998, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 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

August 8, 2000

**SOUTHERN PERRY COUNTY WATER DISTRICT
BALANCE SHEET
AS OF DECEMBER 31, 1999 AND 1998**

	1999	1998
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 288,601	\$ 250,316
Accounts Receivable - Customers	42,310	55,730
Accounts Receivable - Other	10,912	
Inventories	6,814	6,814
Total Current Assets	348,637	312,860
Restricted Assets:		
Cash and Cash Equivalents	122,508	116,840
Fixed Assets:		
Land	6,468	6,468
Water System	4,268,064	3,837,272
Transportation, Equipment and Tools	78,233	75,685
Less: Accumulated Depreciation	(1,004,055)	(918,742)
Total Fixed Assets	3,348,710	3,000,683
TOTAL ASSETS	\$ 3,819,855	\$ 3,430,383
LIABILITIES AND EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 57,525	\$ 51,293
Current Portion of FmHA Notes	20,802	20,235
Current Portion of Other Loans	7,683	
Taxes Payable	1,916	1,962
Interest Payable FmHA	24,664	24,993
Total Current Liabilities	112,590	98,483
Long-Term Liabilities:		
Notes Payable FmHA (net of current portion)	1,338,484	1,359,286
Other Loans Payable (net of current portion)	367,922	
Total Long-Term Liabilities	1,706,406	1,359,286
Equity:		
Contributed Capital - Memberships	1,510,265	1,510,265
Retained Earnings:		
Reserved for Debt Service	122,508	116,840
Unreserved	368,086	345,509
Total Equity	2,000,859	1,972,614
TOTAL LIABILITIES AND EQUITY	\$ 3,819,855	\$ 3,430,383

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Operating Revenues:		
Water Sales	\$ 529,498	\$ 480,078
Tap Fees	31,645	33,790
Turn On Fees	800	1,175
Late Penalty Charges	17,953	17,099
Miscellaneous	975	2,760
Total Operating Revenues	580,871	534,902
 Operating Expenses:		
Purchased Water	221,215	195,870
Salaries, Payroll Taxes, and Employers Share of Pension	81,843	76,080
Directors' Fees	5,350	5,750
Employee Health and Life Insurance	13,662	12,627
Workers' Compensation	1,852	928
Utilities	12,413	10,684
Maintenance and Operations	60,547	54,089
Office Expenses and Operations	10,954	7,848
Professional Fees	8,427	7,605
Depreciation	87,085	93,218
Total Operating Expenses	503,348	464,699
 Operating Income/(Loss)	 77,523	 70,203
 Nonoperating Revenues/(Expenses):		
Interest Revenue	17,314	14,636
Interest Expense	(66,592)	(66,778)
Total Nonoperating Revenues/(Expenses)	(49,278)	(52,142)
 Net Income/(Loss)	 28,245	 18,061
 Retained Earnings - January 1	 462,349	 444,288
Retained Earnings - December 31	490,594	462,349
Contributed Capital - December 31	1,510,265	1,510,265
 Total Equity - December 31	 \$ 2,000,859	 \$ 1,972,614

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 28,245	\$ 18,061
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	2,508	(9,729)
Increase (Decrease) in Accounts Payable	6,232	3,585
Increase (Decrease) in Taxes Payable	(46)	(584)
Depreciation	87,085	93,219
Total Adjustments	95,779	86,491
 Net Cash Provided by (Used by) Operating Activities	 124,024	 104,552
Cash Flows from Capital and Related Financing Activities:		
Purchase of Fixed Assets	(59,507)	(14,856)
Increase (Decrease) in Interest Payable	(329)	(397)
Increase (Decrease) in Long-Term Debt	(36,245)	(26,214)
Increase (Decrease) in Short-Term Debt	16,010	7,635
 Net Cash Provided by (Used by) Capital and Related Financing Activities	 (80,071)	 (33,832)
 Net Increase/(Decrease) in Cash and Cash Equivalents	 43,953	 70,720
 Cash and Cash Equivalents - January 1	 367,156	 296,436
 Cash and Cash Equivalents - December 31	 \$ 411,109	 \$ 367,156
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash Paid During the Period for Interest	\$ 65,945	\$ 66,778

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

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**SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. Description of the Entity

The Southern Perry County Water District, Perry County, (the District) is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Court of Perry County on February 11, 1975. The District operates under the direction of a seven-member Board of Trustees. The staff consists of an appointed Board Treasurer, an appointed accountant and one office clerk, who are responsible for the fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users and business use. The District serves all or parts of the following political subdivisions in Perry County:

Bearfield Township	Pike Township
Coal Township	Pleasant Township
Harrison Township	Saltlick Township
Monroe Township	

Management believes the general purpose financial statements included in this report represent the activities over which the District has the ability to exercise direct operating control.

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 Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process

The District does not follow the budgeting procedures required by Ohio Rev. Code Chapter 5705. The District relied on Ohio Attorney General Opinion No. 77-068, which concluded that taxing districts that do not levy property taxes are not subject to Ohio Rev. Code Chapter 5705 budgetary requirements. However, in Ohio Attorney General Opinion No. 99-020, it was determined that the District will be required to follow Ohio Rev. Code Chapter 5705, beginning in January 2000.

D. Cash and Cash Equivalents

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

E. Inventory

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

F. Restricted Assets

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

G. Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their fair market value at the time recorded. Depreciation of fixed assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major fixed asset class are as follows:

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

H. Compensated Absences

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

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

SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. Summary of Significant Accounting Policies (Continued)

H. Compensated Absences (Continued)

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.

I. Contributed Capital

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

J. Fund Equity

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

K. Long-Term Obligations

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

L. Estimates

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

3. Cash and Cash Equivalents

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. Cash and Cash Equivalents (Continued)

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).

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

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the District.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At December 31, 1999, the carrying amount of the District's deposits was \$161,572, and the bank balance was \$163,182. Of the bank balance:

1. \$100,000 was covered by the Federal Deposit Insurance Corporation;
2. \$63,182 was covered by collateral pledged by the financial institution.

At December 31, 1998, the carrying amount of the District's deposits was \$161,545, and the bank balance was \$205,498. Of the bank balance:

1. \$100,000 was covered by the Federal Deposit Insurance Corporation;
2. \$105,498 was covered by collateral pledged by the financial institution.

SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. Cash and Cash Equivalents (Continued)

Investments: Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the District or the District's agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	December 31, 1999		December 31, 1998	
	Carrying Value	Market Value	Carrying Value	Market Value
STAR Ohio	\$249,537	\$249,537	\$205,611	\$205,611

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

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

	December 31, 1999		December 31, 1998	
	Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments
GASB Statement 9	\$411,109	\$0	\$367,156	\$0
Investments:				
STAR Ohio	(249,537)	249,537	(205,611)	205,611
GASB Statement 3	\$161,572	\$249,537	\$161,545	\$205,611

SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. Fixed Assets

A summary of the fixed assets as of December 31, 1999 and December 31, 1998, is as follows:

	<u>December 31, 1999</u>	<u>December 31, 1998</u>
Land	\$6,468	\$6,468
Water Lines and Buildings	3,764,548	3,347,756
DNR Tap Fees	503,516	489,516
Transportation Equipment	48,550	48,550
Furniture and Equipment	<u>29,683</u>	<u>27,135</u>
Total	4,352,765	3,919,425
Less Accumulated Depreciation:		
Water Lines and Buildings	(670,962)	(599,051)
DNR Tap Fees	(261,378)	(248,848)
Transportation Equipment	(47,552)	(46,104)
Furniture and Equipment	<u>(24,163)</u>	<u>(24,739)</u>
Total Accumulated Depreciation	<u>(1,004,055)</u>	<u>(918,742)</u>
Total Net Fixed Assets	<u>\$3,348,710</u>	<u>\$3,000,683</u>

5. Long-Term Debt

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

Farmer's Home Administration (FmHA), Revenue Bonds, Phase I	
Principal Outstanding	\$215,000
Interest Rate	5.00%
Farmer's Home Administration (FmHA), Revenue Bonds, Phase II	
Principal Outstanding	\$609,900
Interest Rate	5.00%
Farmer's Home Administration (FmHA), Revenue Bonds, Phase III	
Principal Outstanding	\$369,959
Interest Rate	4.50%
Farmer's Home Administration (FmHA), Revenue Bonds, Phase III	
Principal Outstanding	\$164,427
Interest Rate	4.50%
Ohio Public Works Commission (OPWC), Issue II Loan Payable	
Principal Outstanding	\$375,605
Interest Rate	2.00%

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

**SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. Long Term Debt (Continued)

The annual requirements to amortize all bonded debt outstanding as of December 31, 1999, including interest payments, are as follows:

Year Ending December 31	Phase I Water Revenue Bonds	Phase II Water Revenue Bonds	Phase III Water Revenue Bonds	Phase III Water Revenue Bonds	Totals
2000	\$17,750	\$38,095	\$20,942	\$9,307	\$86,094
2001	17,400	38,115	20,942	9,307	85,764
2002	18,050	38,115	20,942	9,307	86,414
2003	17,650	38,095	20,942	9,307	85,994
2004	17,250	38,155	20,942	9,307	85,654
2005-2009	88,600	190,545	104,709	46,537	430,391
2010-2014	89,050	190,605	104,709	46,537	430,901
2015-2019	73,300	190,460	104,708	46,537	415,005
2020-2024	0	190,605	104,708	46,537	341,850
2025-2029	0	190,640	104,708	46,537	341,885
2030-2034	0	114,350	104,708	46,537	265,595
2035	<u>0</u>	<u>0</u>	<u>20,942</u>	<u>9,307</u>	<u>30,249</u>
Total	<u>\$339,050</u>	<u>\$1,257,780</u>	<u>\$753,902</u>	<u>\$335,064</u>	<u>\$2,685,796</u>

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

The annual requirements to retire the Issue II loan liability at December 31, 1999, including interest payments, are as follows:

Year Ending December 31	OPWC Issue II Loan
2000	\$11,439
2001	22,879
2002	22,879
2003	22,879
2004	22,879
2005-2009	114,395
2010-2014	114,395
2015-2019	114,395
2020	<u>11,439</u>
Total	<u>\$457,579</u>

SOUTHERN PERRY COUNTY WATER DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. Defined Benefit Pension Plan

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the District is required to contribute 9.35 percent. Contributions are authorized by State statute. The District's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$11,356, \$8,954, and \$8,470, respectively. The full amount has been contributed for all years.

7. Postemployment Benefits

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care 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. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The District's actual contributions for 1999 which were used to fund OPEB were \$3,520.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equaled 4.2 percent 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 coverage.

8. Risk Management

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

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

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Southern Perry County Water District, Perry County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 8, 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 general purpose financial statements are free of material misstatement, we performed test 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated August 8, 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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 do not require inclusion in this report, that we have reported to the District's management in a separate letter dated August 8, 2000.

Southern Perry County Water District
Perry County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 8, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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SOUTHERN PERRY COUNTY WATER DISTRICT

PERRY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 10, 2000**