

**WALNUT CREEK
SEWER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

For The Years Ended

August 31, 1999 and 1998

TRIMBLE, JULIAN & GRUBE, INC.

TJG

**WALNUT CREEK
SEWER DISTRICT**

GENERAL PURPOSE FINANCIAL STATEMENTS

For The Years Ended

August 31, 1999 and 1998

EDWARD A. KUTTIG, CLERK/TREASURER

WALNUT CREEK SEWER DISTRICT

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	1
Balance Sheet	2
Statement of Revenues, Expenses, and Changes in Accumulated Deficit and Fund Equity	3
Statement of Cash Flows	4
Notes to the General Purpose Financial Statements	5-18
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20



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

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

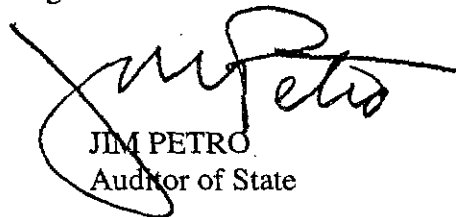
Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have reviewed the Independent Auditor's Report of the Walnut Creek Sewer District, Fairfield County, prepared by Trimble, Julian & Grube, Inc., for the audit period September 1, 1997 to August 31, 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 Walnut Creek Sewer District is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

March 9, 2000

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
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the accompanying general purpose financial statements of the Walnut Creek Sewer District, Ohio, (the "District"), as of and for the years ended August 31, 1999 and 1998, 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 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 Walnut Creek Sewer District, Ohio, as of August 31, 1999 and 1998, and the results of its operations and the cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 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.



Trimble, Julian & Grube, Inc.
February 15, 2000

WALNUT CREEK SEWER DISTRICT

BALANCE SHEET AUGUST 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Assets:		
Current Assets:		
Cash and Cash Equivalents:		
Cash and Cash Equivalents - Unrestricted	\$ 59,310	\$ 65,191
Cash and Cash Equivalents - Restricted	101,652	103,878
Total Cash and Cash Equivalents	<u>160,962</u>	<u>169,069</u>
Accounts Receivable (Billed/Unbilled)	32,633	26,788
Prepaid Expenses	6,854	8,192
Total Current Assets	<u>200,449</u>	<u>204,049</u>
Fixed Assets:		
Fixed Assets	3,730,086	3,719,801
Less: Accumulated Depreciation	<u>(2,222,025)</u>	<u>(2,143,151)</u>
Net Fixed Assets	<u>1,508,061</u>	<u>1,576,650</u>
Other Assets:		
Industrial Commission Deposit	592	592
Total Other Assets	<u>592</u>	<u>592</u>
Total Assets	<u>\$ 1,709,102</u>	<u>\$ 1,781,291</u>
Liabilities and Fund Equity:		
Current Liabilities:		
Accounts Payable	\$ 3,659	\$ 2,873
Customer Deposits	18,210	21,065
Accrued Wages	2,742	2,488
Compensated Absences	10,050	8,498
Accrued and Withheld Payroll Taxes	3,072	3,553
Total Current Liabilities	<u>37,733</u>	<u>38,477</u>
Noncurrent Liabilities:		
Bonds Payable	378,239	389,239
Total Liabilities	<u>415,972</u>	<u>427,716</u>
Fund Equity:		
Contributed Capital	3,303,596	3,303,596
Accumulated Deficit	<u>(2,010,466)</u>	<u>(1,950,021)</u>
Total Fund Equity	<u>1,293,130</u>	<u>1,353,575</u>
Total Liabilities and Fund Equity	<u>\$ 1,709,102</u>	<u>\$ 1,781,291</u>

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

WALNUT CREEK SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ACCUMULATED
DEFICIT AND FUND EQUITY
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

	1999	1998
Operating Revenues:		
Charges for Sewer Services	\$ 162,892	\$ 154,965
Miscellaneous	7,591	6,308
Refunds	7,186	5,346
Contractual Services	26,203	27,133
Total Operating Revenues	203,872	193,752
Operating Expenses:		
Salaries	79,242	72,155
Trustee Fees	4,320	4,400
Plant Chemicals and Fuel	2,310	2,022
Telephone	4,903	4,801
Electric	12,249	12,286
Board of Public Affairs	1,508	1,371
Office Supplies	3,422	5,005
Insurance	8,921	7,657
Accounting and Legal	11,773	13,919
Consulting Fees	1,660	200
Employee Benefits	7,618	9,657
Repairs and Maintenance	4,044	733
Inspection and Testing	1,708	1,554
Health Insurance	5,688	5,486
Payroll Taxes	6,569	560
Rent	4,800	4,400
Transportation	2,778	2,021
Bank Service Charges	140	176
Maintenance and Supplies	6,707	6,203
Small Tools	179	
Depreciation	78,874	79,143
Licenses, Dues and Subscriptions	1,445	1,340
Advertising	314	513
Training		455
Total Operating Expenses	251,172	236,057
Operating Loss	(47,300)	(42,305)
Nonoperating Revenues/(Expenses):		
Gain on Sale of Assets		205
Interest Income	6,317	7,681
Interest Charges	(19,462)	(20,012)
Total Nonoperating Loss	(13,145)	(12,126)
Net Loss	(60,445)	(54,431)
Accumulated Deficit, September 1	(1,950,021)	(1,895,590)
Accumulated Deficit, August 31	(2,010,466)	(1,950,021)
Contributed Capital at September 1	3,303,596	3,276,439
Contributed Capital During the Year		27,157
Total Fund Equity at August 31	\$ 1,293,130	\$ 1,353,575

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

WALNUT CREEK SEWER DISTRICT

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998**

	1999	1998
Cash flows from operating activities:		
Operating Loss	\$ (47,300)	\$ (42,305)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	78,874	79,143
Changes in assets and liabilities:		
Increase in accounts receivables	(5,845)	(2,006)
Decrease/(increase) in prepaids	1,338	(2,292)
Increase/(decrease) in accounts payable	786	(3,133)
(Decrease)/increase in security deposits payable	(2,855)	471
Increase in accrued wages and compensated absences	1,806	2,300
Decrease in accrued and withheld payroll taxes	(481)	(1,161)
Net cash provided by operating activities	26,323	31,017
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(10,285)	(25,493)
Disposal of capital assets		(7,321)
Contributed capital		27,157
Principal retirement	(11,000)	(11,000)
Interest charges	(19,462)	(20,012)
Net cash used in capital and related financing activities	(40,747)	(36,669)
Cash flows from investing activities:		
Proceeds from the sale of fixed assets		205
Interest received	6,317	7,681
Net cash provided by investing activities	6,317	7,886
Net (decrease) increase in cash and cash equivalents	(8,107)	2,234
Cash and cash equivalents at beginning of year	169,069	166,835
Cash and cash equivalents at end of year	\$ 160,962	\$ 169,069

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

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 1 - DESCRIPTION OF THE ENTITY

The Walnut Creek Sewer District (the "District") is organized under the provisions of Section 6119 of the Ohio Revised Code (O.R.C.) by the Common Pleas Court of Fairfield County, Ohio for the purpose of providing public sewer service. The territorial limits were set as the entire corporation limits of the Village of Pleasantville and the Village of Thurston. The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a six-member Board of Trustees who are appointed by the Village Councils of Pleasantville and Thurston. The Board of Trustees is responsible for the fiscal control of the assets and the operating funds of the District.

Management believes the financial statements included in this report represent all of the funds of the District over which management has direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

A. 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.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting. The operations of this fund are accounted for with a set of self-balancing accounts that are comprised of its assets, liabilities, fund equity or accumulated deficit, as appropriate, and revenues and expenses. The following fund type is used by the District:

PROPRIETARY FUND:

A proprietary fund is used to account for all the District's ongoing activities which are similar to those found in the private sector. The following proprietary fund type is utilized by the District:

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant enterprise fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility, and loan and grant proceeds to expand the sewer system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District prepares its financial statements on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled sewer utility service receivables are recognized as revenue at year end.

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.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund equity (i.e., net total assets) is segregated into contributed capital and accumulated deficit components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the District considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned by the District totaled \$6,317 and \$7,681 for the years ended August 31, 1999 and 1998, respectively.

E. RESTRICTED CASH

The District maintains four restricted accounts. These accounts consist of cash and Certificates of Deposit. The Bond and Interest Sinking Fund has been classified as a current asset because the liability in the current year is greater than the balance in the reserve. The Repair and Replace Reserve Fund may be used currently upon approval from the Farmers Home Administration. The Vacation Fund is accumulating monies for future payouts of compensated absences. The Customer Security Deposits is held until Council approves the refund to the respective customers. See Note 5 for a detailed analysis of interfund transactions.

F. FIXED ASSETS AND DEPRECIATION

Fixed assets acquired or constructed for the general use of the District in providing service are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the years. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation and amortization have been provided on a straight-line basis ranging from 3 to 40 years.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost and depreciated, if applicable, over the remaining useful lives of the related fixed assets.

G. COMPENSATED ABSENCES

Compensated absences of the District consist of vacation leave to the extent that payment to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employees.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

The total liability for vacation leave payments has been calculated using pay rates in effect at the 1999 and 1998 balance sheet dates, respectively, and reduced to the maximum payment allowed by labor contract and/or statute, less applicable additional salary related payments as amounts are not material to the financial statements.

District employees earn vacation at varying rates per year. Vacation leave is accumulated on an hours worked basis. Vacation pay is vested after one year.

H. CONTRIBUTED CAPITAL

Contributed capital is recorded by the District for receipts of capital grants or contributions from developers and customers. All of the District's contributed capital has been received from customers and Farmer's Home Administration and Ohio Public Works Commission grants. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to accumulated deficit at year end.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. STATEMENT OF CASH FLOWS

The District's financial statements have been prepared in accordance with GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

J. FINANCIAL REPORTING FOR PROPRIETARY FUND TYPES

The District's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Moneys held by the District are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the District treasury. Active moneys 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.

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 moneys deposited with the institution.

Moneys held by the District which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 3 - CASH AND CASH EQUIVALENTS - (Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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).

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, District, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations to the District.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 3 - CASH AND CASH EQUIVALENTS - (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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. DEPOSITS

For the years ended August 31, 1999 and 1998, the carrying amount of the District's deposits, were \$160,962 and \$169,069, respectively, and the bank balance was \$193,180 and \$210,820, respectively. Of the bank balance, \$169,333 and \$165,709 was covered by federal depository insurance and the remaining balance of \$23,847 and \$45,111 was covered by collateral held by third party trustees pursuant to Section 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions for August 31, 1999 and 1998, respectively.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

FUND DEFICIT

The District had a fund deficit at August 31, 1999 and August 31, 1998 totaling \$2,010,466 and \$1,950,021, respectively. The District complied with Ohio law which does not permit a cash basis deficit at year end. The deficit balance is due primarily to the recognition of contributed capital in accordance with generally accepted accounting principles.

WALNUT CREEK SEWER DISTRICT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998**

NOTE 5 - RESTRICTED CASH

The District maintained the following restricted cash and cash equivalents at August 31, 1999 and 1998:

1999

<u>Account</u>	<u>Cash</u>	Certificates of <u>Deposit</u>	<u>Total</u>
Bond and Interest Sinking Fund	\$ 2,206	\$26,016	\$ 28,222
Repair and Replace Reserve	12,811	36,556	49,367
Vacation		5,730	5,730
Customer Security Deposits	<u>18,333</u>	_____	<u>18,333</u>
Total Restricted Cash and Cash Equivalents	<u>\$33,350</u>	<u>\$68,302</u>	<u>\$101,652</u>

1998

<u>Account</u>	<u>Cash</u>	Certificates of <u>Deposit</u>	<u>Total</u>
Bond and Interest Sinking Fund	\$ 1,631	\$26,003	\$ 27,634
Repair and Replace Reserve	12,403	34,519	46,922
Vacation		5,436	5,436
Customer Security Deposits	<u>23,886</u>	_____	<u>23,886</u>
Total Restricted Cash and Cash Equivalents	<u>\$37,920</u>	<u>\$65,958</u>	<u>\$103,878</u>

NOTE 6 - RECEIVABLES

Receivables at August 31, 1999 and 1998 consisted of billed and unbilled sewer services. All receivables are considered fully collectible except for immaterial delinquent customer accounts. Delinquent accounts are subject to disconnection for nonpayment and are restored only after payment in full is received.

WALNUT CREEK SEWER DISTRICT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998**

NOTE 7 - FIXED ASSETS

A summary of the District's fixed assets at August 31, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 24,276	\$ 24,276
Land Easement	1,250	1,250
Land Improvement	9,630	9,630
Buildings	420,634	418,334
Sewer Lines and Storage	2,340,461	2,340,461
Pumps and Treatment Equipment	829,411	829,411
Office Equipment and Furniture	15,924	12,833
Transportation Equipment	25,163	25,163
Leasehold Improvements	1,594	1,594
Equipment and Tools	<u>61,743</u>	<u>56,849</u>
Total Fixed Assets	3,730,086	3,719,801
Less: Accumulated Depreciation	<u>(2,222,025)</u>	<u>(2,143,151)</u>
Net Fixed Assets	<u>\$ 1,508,061</u>	<u>\$ 1,576,650</u>

NOTE 8 - COMPENSATED ABSENCES

Vacation and sick leave is earned at rates which vary depending upon the employee's length of service and standard work week. Current policy credits vacation and sick leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. District employees are paid for earned, unused vacation leave at the time of termination up to a maximum of two years for vacation and 960 hours for sick leave.

Vacation and sick leave in the proprietary fund is recorded as an expense when earned, and the liability for unused amounts is shown as a fund liability. The total vested liability for accumulated unpaid vacation leave is as follows at August 31:

<u>Year</u>	<u>Hours</u>	<u>Amount</u>
1999	1,169	\$10,050
1998	1,033	\$ 8,498

WALNUT CREEK SEWER DISTRICT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998**

NOTE 9 - LONG-TERM DEBT

At August 31, bonds payable consisted of the following issuances:

<u>Description</u>	<u>Balance at August 31, 1999</u>	<u>Balance at August 31, 1998</u>
1995 Water Resource Revenue Bonds with Farmers Home Administration with denominations of \$1,000 each, bearing interest at 5% per annum, principal and interest payments are due annually on September 1, final bonds are due September 1, 2019.	<u>\$ 378,239</u>	<u>\$389,239</u>
Total Bonds Payable at August 31,	<u>\$378,239</u>	<u>\$389,239</u>

The annual activity in the Bonds Payable - FmHA is as follows:

	<u>1999</u>	<u>1998</u>
Balance on September 1	\$389,239	\$400,239
Additions	0	0
Retirements	<u>(11,000)</u>	<u>(11,000)</u>
Balance on August 31	<u>\$378,239</u>	<u>\$389,239</u>

The principal and interest requirements to retire the long-term debt obligations outstanding at August 31, 1999, are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 12,000	\$ 18,912	\$ 30,912
2001	12,000	18,312	30,312
2002	13,000	17,712	30,712
2003	13,000	17,062	30,062
2004	14,000	16,412	30,412
2005 - 2009	82,000	70,710	152,710
2010 - 2014	105,000	48,060	153,060
2015 - 2019	<u>127,239</u>	<u>19,260</u>	<u>146,499</u>
	<u>\$378,239</u>	<u>\$226,440</u>	<u>\$604,679</u>

WALNUT CREEK SEWER DISTRICT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998**

NOTE 10 - RESERVE FUNDS

Under Bond Resolution No. 9-25-79-2 Section 6B(1) and B(3), the District is required to make monthly deposits into reserve cash accounts.

Monthly deposits into the Revenue Bond and Interest Sinking Reserve Account are required based on 1/12 of the ensuring principal and interest payments. Payments required in the Bond and Interest Sinking Funds for the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 12,000	\$18,912	\$ 30,912
2001	12,000	18,312	30,312
2002	13,000	17,712	30,712
2003	13,000	17,062	30,062
2004	<u>14,000</u>	<u>16,412</u>	<u>30,412</u>
	<u>\$64,000</u>	<u>\$88,410</u>	<u>\$152,410</u>
Less Balance in Bond and Interest Sinking Fund at August 31, 1999			<u>(28,222)</u>
Total			<u>\$124,188</u>

Monthly deposits into the Repair and Replacement Reserve Account are required if there is sufficient income and revenue to meet operational expenses and bond and interest sinking deposit requirements. The total maximum required to be accumulated in this reserve account is \$30,000.

The Repair and Replacement Reserve account balance at August 31, 1999 is \$49,376.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All District full-time employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. 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.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 and 1998 was 8.5 percent for all employees. The employer contribution rate was 13.55 percent of covered payroll; 4.2 and 5.11 percent was the portion used to fund pension obligations for 1999 and 1998, respectively. The District contributions for pension obligations to PERS for the years ended August 31, 1999 and 1998 were \$10,737 and \$9,580, respectively; 100 percent has been contributed for 1998. The unpaid 1999 contribution of \$797 is recorded as a liability.

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor 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 post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 and 1998 employer contribution rate for local employers was 13.55 percent of covered payroll and 4.2 percent and 5.11 percent was the portion that was used to fund health care.

The District's 1999 and 1998 employer contributions to PERS totaled \$10,737 and \$9,580, respectively. Of these amounts, \$451 and \$490 for 1999 and 1998, respectively, was used to fund health care for regular employees.

NOTE 12 - RELATED PARTY TRANSACTIONS

The District had a related party contract with the Villages of Pleasantville and Thurston in 1999 and 1998. The contract required the District to provide daily supervisory, technical assistance and labor for the operation of the Villages' water plant. It also required the District to provide billing services for the water plant. This is a related party transaction since a District trustee is also the Mayor of the Village of Thurston and a District Trustee is also a member of the Village of Pleasantville's Water Board. Both related parties abstained from voting on approval of the Villages' contracts. The District's revenue for providing the contract services was \$26,203 and \$27,133 in 1999 and 1998, respectively.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 13 - CONTRIBUTED CAPITAL

Grants contributed to the District prior to September 1, 1995 include \$2,383,739 from the Environmental Protection Agency and \$892,700 from USDA/Rural Development. In fiscal 1998, the Ohio Public Works Commission contributed \$27,157 to the District for equipment.

NOTE 14 - LEASE

The District leases office space from an individual under a 10 year renewable operation lease. The current lease expires October 1, 2007. Current future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 4,800
2001	4,800
2002	4,800
2003	4,800
2004	4,800
2005 - 2007	<u>14,400</u>
Total	<u>\$38,400</u>

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss; related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District continues to carry commercial insurance for other risks of loss, including employee health insurance.

The District pays an annual premium to the State Workers' Compensation System based on employee compensation and a predetermined rate. This rate is calculated based on accident history and administrative costs.

WALNUT CREEK SEWER DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

NOTE 16 - AGENT CAPACITY

The District acts in an agency capacity for the Village of Pleasantville (the "Village") in relation to its water service. The District bills, collects and deposits the Village's water revenue and at the end of each month issues a check for the total received. The District's receipts and disbursements to the Village totaled \$61,770 and \$60,462 for the years ended August 31, 1999 and 1998, respectively.

NOTE 17 - CONTINGENT LIABILITY

LITIGATION

The District is currently not involved in litigation.

NOTE 18 - SUBSEQUENT EVENTS

On February 24, 2000, the District's Trustees approved to change the fiscal year end to December 31, effective for the year 2000.

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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Walnut Creek Sewer District
P.O. Box 599
Pleasantville, Ohio 43148

We have audited the general purpose financial statements of Walnut Creek Sewer District, Ohio, (the "District") as of and for the years ended August 31, 1999 and 1998, and have issued our report thereon dated February 15, 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 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance, which we have reported to the management of Walnut Creek Sewer District in a separate letter dated February 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walnut Creek 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, which we have reported to the management of Walnut Creek Sewer District in a separate letter dated February 15, 2000.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
February 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WALNUT CREEK 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.

By: *Susan Babbitt*

Date: MARCH 21, 2000