

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Year Ended
December 31, 2003

GLENN DEBOARD, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Board of Trustees
Clinton Water and Sewer District
350 Johnson Ave.
Mt. Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of the Clinton Water and Sewer District, Knox County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2003. 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 Clinton Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 2, 2005

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**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Board of Trustees
Clinton Water and Sewer District
350 Johnson Ave.
Mt. Vernon, Ohio 43050

We have audited the accompanying financial statements of the Clinton Water and Sewer District, Knox County, Ohio (the “District”) as of and for the year then ended December 31, 2003. These financial statements are the responsibility of the Clinton Water and Sewer 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Clinton Water and Sewer District prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance and fund balance of the Clinton Water and Sewer District, Knox County, as of December 31, 2003, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of Clinton Water and Sewer District and its management, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
June 27, 2005

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

**STATEMENT OF CASH FUND BALANCE
DECEMBER 31, 2003**

	<u>2003</u>
<u>Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents	<u>\$ 433,696</u>
Total Cash and Cash Equivalents	<u><u>\$ 433,696</u></u>
 <u>Fund Balances</u>	
 <u>Proprietary Fund Type:</u>	
Enterprise Fund	<u>\$ 433,696</u>
Total Fund Balance	<u><u>\$ 433,696</u></u>

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

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH FUND BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating receipts:	
Charges for services	\$ 164,049
Total operating receipts	164,049
Operating cash disbursements:	
Personal services	2,730
Utilities and telephone	349
Other contractual services	68,715
Capital outlay	1,843
Office supplies and miscellaneous	47
General operating expenses	518
Insurance	2,697
Total operating cash disbursements	76,899
Operating income	87,150
Nonoperating cash receipts:	
Intergovernmental	849
Interest	3,965
Special assessments	159,923
Tap fees	8,000
Contractor bonds and fees	176
Total nonoperating cash receipts	172,913
Nonoperating cash disbursements:	
Debt service:	
Principal retirement	(121,818)
Interest charges	(340,373)
Refund of contractor bonds	(500)
Total nonoperating cash disbursements	(462,691)
Net of cash receipts (under) cash disbursements	(202,628)
Cash fund balance, January 1, 2003	636,324
Cash fund balance, December 31, 2003	\$ 433,696

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

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Clinton Water and Sewer District, Knox County, Ohio, (the "District") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established October 16, 1990, under Chapter 6119 of the Ohio Revised Code to provide water and sewer services to the residents of Clinton Township. A three member appointed Board of Trustees manages the District.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the District's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund accounting, where each fund is considered a separate accounting entity. The operations of the funds are accounted for with a set of self-balancing accounts. The following fund type is used 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:

Water & Sewer Fund - This fund receives charges for services and special assessments to cover the cost of providing this utility, and grant proceeds to construct the water and sewer system.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. BUDGETARY PROCESS

The Ohio Revised Code requires the District to adopt an operating budget.

Appropriations:

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

Estimated Resources:

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

Encumbrances:

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

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 and received by the District totaled \$3,965 for the year ended December 31, 2003.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized by the District. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - COMPLIANCE

Budgetary activity for the year ending December 31, 2003 follows:

<u>Budgeted vs. Actual Receipts</u>	<u>2003</u>
Budgeted Receipts	\$ 343,772
Actual Receipts	<u>336,962</u>
Variance - favorable/(unfavorable)	<u>\$ (6,810)</u>
<u>Budgeted vs. Actual Budgetary Basis Expenses</u>	<u>2003</u>
Appropriation Authority	\$ 552,270
Actual expenses	<u>539,860</u>
Variance - favorable/(unfavorable)	<u>\$ 12,410</u>

The District did not properly report all commitments required under Ohio law contrary to Ohio Revised Code Section 5705.41(D). The Clerk/Treasurer will monitor expenses to determine compliance throughout the year.

The District did not issue 1099 or W-2 forms to its elected officials although they received compensation in excess of \$600, contrary to Internal Revenue Code Chapter 26 United States Code Section 1.6041-1 and 1.6041-2. The Clerk/Treasurer will issue 1099 statements in future years for all compensation paid exceeding \$600.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

CASH AND INVESTMENTS

The District maintains a cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 is as follows:

	<u>2003</u>
Demand Deposits	\$ 141,600
Investments in STAR Ohio	<u>292,096</u>
Total Cash and Investments	<u>\$ 433,696</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institutions public entity deposit pool.

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments: Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2003 the following debt obligations existed:

<u>Description</u>	<u>Balance at 12/31/03</u>
1997 OWDA Loan, for the construction of sewer system, due in 2024, bearing interest at 6.18%.	\$ 2,456,274
1998 Ohio Water Development Authority (OWDA) Loan, for construction of sewer system, due in 2025, bearing interest at 5.66%.	843,034
1999 OWDA Loan, for the construction of sewer system, due in 2026, bearing interest of 5.77%.	893,147
2000 OWDA Loan, for the construction of sewer system, due in 2027, bearing interest of 6.397%.	<u>1,280,946</u>
Total debt obligations at December 31	<u><u>\$ 5,473,401</u></u>

Transactions for the year ended December 31, 2003 are summarized as follows:

	<u>Restated Balance at 12/31/02</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at 12/31/03</u>
1997 OWDA - #3154	\$ 2,515,063	\$ -	\$ (58,789)	\$ 2,456,274
1998 OWDA - #3157	862,948	-	(19,914)	843,034
1999 OWDA - #2146	912,277	-	(19,130)	893,147
2000 OWDA - #3312	<u>1,304,931</u>	-	<u>(23,985)</u>	<u>1,280,946</u>
TOTAL	<u><u>\$ 5,595,219</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (121,818)</u></u>	<u><u>\$ 5,473,401</u></u>

Beginning balances have been restated based on OWDA finalizing loan commitments during 2003.

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2003, are as follows:

Year Ending December 31,	Loan #3312		Loan #2146	
	2000 OWDA Loan		1999 OWDA Loan	
	Principal	Interest	Principal	Interest
2004	\$ 25,956	\$ 81,450	\$ 20,248	\$ 51,235
2005	27,256	79,789	21,435	50,349
2006	29,026	78,019	22,689	49,095
2007	30,910	76,134	24,018	47,768
2008	32,917	74,128	25,423	46,362
2009 - 2013	199,553	335,671	151,255	207,666
2014 - 2018	273,302	261,919	201,016	157,907
2019 - 2023	374,310	160,914	267,148	91,775
2024 - 2027	287,716	33,059	159,915	14,544
Totals	<u>\$ 1,280,946</u>	<u>\$ 1,181,083</u>	<u>\$ 893,147</u>	<u>\$ 716,701</u>

Year Ending December 31,	Loan #3157		Loan #3154	
	1998 OWDA Loan		1997 OWDA Loan	
	Principal	Interest	Principal	Interest
2004	\$ 20,492	\$ 47,716	\$ 62,797	\$ 151,798
2005	22,265	46,523	66,678	147,917
2006	23,525	45,263	70,798	143,796
2007	24,856	43,932	75,174	139,421
2008	26,263	42,525	79,820	137,168
2009 - 2013	155,370	198,569	479,476	593,498
2014 - 2018	204,607	139,331	647,114	425,861
2019 - 2023	269,448	74,490	873,362	199,610
2024 - 2025	96,208	7,555	101,055	6,245
Totals	<u>\$ 843,034</u>	<u>\$ 645,904</u>	<u>\$ 2,456,274</u>	<u>\$ 1,945,314</u>

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 6 - RISK MANAGEMENT - RISK POOL MEMBERSHIP

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

NOTE 7 - CONTINGENT LIABILITY

LITIGATION

The District is currently involved in several pending lawsuits that the District's legal counsel is unable to determine the likely outcome of such litigation or whether it would have a material effect upon the financial condition of the District.

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

Board of Trustees
Clinton Water and Sewer District
350 Johnson Ave.
Mt. Vernon, OH 43050

We have audited the financial statements of the Clinton Water and Sewer District (the “District”), Knox County, Ohio, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated June 27, 2005.

Board of Trustees
Clinton Water and Sewer District

Compliance and Other Matters

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 grant agreements, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-CWSD-001 and 2003-CWSD-002. We also noted certain matters which we have reported to the management of the District in a separate letter dated June 27, 2005.

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



Julian & Grube, Inc.
June 27, 2005

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2003-CWSD-001
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Internal Revenue Code Chapter 26 United States Code Section 1.6041-1 and 1.6041-2 states in part that wages, commissions, and other forms of compensation for services rendered aggregating \$600 or more are to be reported on form 1099, or form W-2.

The District did not issue W-2 or 1099 forms to the Clerk/Treasurer or the Board members during the year from which the District paid for services in excess of \$600.

The District is not reporting such compensation paid to the Internal Revenue Service.

We recommend that the District issue form 1099's for all compensation paid in excess of \$600. This will help ensure proper reporting and accountability for the elected officials of the District.

Client Response: The Clerk/Treasurer will issue 1099 or W-2 statement for all compensation paid in excess of \$600.

Finding Number	2003-CWSD-002
----------------	---------------

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that 100% of expenses tested were not certified in a timely manner for 2003.

Without timely certification, the District may expend more funds than available in the treasury, in the process of collection or than funds appropriated.

We recommend that the District implement a policy and procedure for contracts involving the disbursement of money be timely certified to insure that all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

Client Response: The Clerk/Treasurer will monitor expenses to determine compliance throughout the year.

**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-CWSD-001	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	Yes	N/A.
2002-CWSD-002	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as finding number 2003-CWSD-002.



**Auditor of State
Betty Montgomery**

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**CLINTON WATER AND SEWER DISTRICT
KNOX COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2005**