



**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

North Hills Water Sewer District
Summit County
253 West Aurora Road
Northfield, Ohio 44607

To the Board of Trustees:

We have audited the accompanying financial statements of the North Hills Water District, Summit County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of these audits.

This report is intended solely for the information and use of management and the Board of Trustees 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

October 13, 2000

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$58,309	\$0	\$58,309
Intergovernmental Receipts	7,328		7,328
Charges for Services	5,050		5,050
Earnings on Investments	43,045		43,045
Miscellaneous	49,525		49,525
	<hr/>		<hr/>
Total Cash Receipts	163,257	0	163,257
Cash Disbursements:			
Current:			
Salaries and Benefits	18,925		18,925
Repairs and Supplies	27,390		27,390
Insurance and Bonds	5,722		5,722
Administrative Contracts	1,500		1,500
Utilities	621		621
Professional Services	54,280		54,280
Other Expenses	16,204	862	17,066
Legal Expenses	923		923
Workers Compensation	399		399
Debt Service:			
Principal Payments		386,100	386,100
Interest Payments		90,738	90,738
Capital Outlay	71,165		71,165
	<hr/>		<hr/>
Total Cash Disbursements	197,129	477,700	674,829
Total Cash Receipts (Under) Cash Disbursements	<u>(33,872)</u>	<u>(477,700)</u>	<u>(511,572)</u>
Fund Cash Balances, January 1	<u>618,909</u>	<u>490,577</u>	<u>1,109,486</u>
Fund Cash Balances, December 31	<u>\$585,037</u>	<u>\$12,877</u>	<u>\$597,914</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$55,613	\$218,085	\$273,698
Intergovernmental Receipts	6,823	27,732	34,555
Charges for Services	8,800		8,800
Earnings on Investments	66,166		66,166
Miscellaneous	51,309	3,251	54,560
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	188,711	249,068	437,779
Cash Disbursements:			
Current:			
Salaries and Benefits	18,720		18,720
Repairs and Supplies	24,120		24,120
Insurance and Bonds	5,722		5,722
Administrative Contracts	1,500		1,500
Utilities	672		672
Other Expenses	1,678	5,900	7,578
Legal Expenses	1,090		1,090
Workers Compensation	244		244
Debt Service:			
Principal Payments		385,220	385,220
Interest Payments		96,058	96,058
Capital Outlay	41,995		41,995
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	95,741	487,178	582,919
Total Cash Receipts Over/(Under) Cash Disbursements	92,970	(238,110)	(145,140)
Fund Cash Balances, January 1	525,939	728,687	1,254,626
Fund Cash Balances, December 31	<u>\$618,909</u>	<u>\$490,577</u>	<u>\$1,109,486</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The North Hills Water District, Summit County, (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 is directed by an appointed seven-member Board of Trustees appointed by Northfield Center and Sagamore Hills Townships. An appointed Clerk-Treasurer is responsible for fiscal control of the resources of the District. The District provides construction of water lines and major repair and servicing of hydrants within the Townships.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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.

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

C. Deposits and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at an amount reported by the State treasurer.

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, bonds and note indebtedness. The District had the following significant Debt Service Funds:

The Bonded Debt Fund is used to accumulate resources for the principal and interest on two bond issues: the Water Supply and Distribution Facilities Bond for the District's 1974 Water System Construction Bond issue, and the Water System Improvement Bond for the District's 1988 System Improvement Bond issue.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$597,914	\$854,414
Investments		
Star Ohio	<u>0</u>	<u>255,072</u>
 Total deposits and investments	 <u>\$597,914</u>	 <u>\$1,109,486</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 146,295	\$ 163,256	\$ 16,961
Debt Service	<u>34,000</u>	<u>0</u>	<u>(34,000)</u>
Total	<u>\$ 180,295</u>	<u>\$ 163,256</u>	<u>\$ (17,039)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 753,909	\$ 197,129	\$ 556,780
Debt Service	<u>1,004,577</u>	<u>477,700</u>	<u>526,877</u>
Total	<u>\$ 1,758,486</u>	<u>\$ 674,829</u>	<u>\$ 1,083,657</u>

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 142,840	\$ 188,711	\$ 45,871
Debt Service	279,659	249,068	(30,591)
Total	\$ 422,499	\$ 437,779	\$ 15,280

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 660,939	\$ 95,741	\$ 565,198
Debt Service	1,242,687	487,178	755,509
Total	\$ 1,903,626	\$ 582,919	\$ 1,320,707

4. NONCOMPLIANCE

This District did not properly certify expenditures prior to commitments, contrary to Ohio Revised Code Section 5705.41(D).

The District's total appropriations exceeded total estimated revenue, and amended appropriation resolutions were not approved by the County Budget Commission, contrary to Ohio Revised Code Section 5705.39 and 5705.40.

The District had expenditures in excess of appropriations at the legal level of control contrary to Ohio Revised Code Section 5705.41(B).

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. DEBT

The District made final payments on two bond issues in 1999: the 1974 Water System Construction Bond which was obtained for the purpose of constructing supply and distribution facilities, and the 1988 Water System Improvement Bond which was obtained for the purpose of improving the current water system. Principal payments were made annually.

7. RETIREMENT SYSTEMS

The District's appointed officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 1999.

8. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- General liability
- Public officials' liability
- Employers liability

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, will not be material.

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

North Hills Water District
Summit County
253 West Aurora Road
Northfield, Ohio 44607

To the Board of Trustees:

We have audited the accompanying financial statements of North Hills Water District, Summit County, Ohio (the District) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated October 13, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 1999-30977-001 through 1999-30977-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 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.

North Hills Water District
Summit County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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 management of the District in a separate letter dated October 13, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

October 13, 2000

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-60977-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of District, if such expenditure is otherwise valid

During 1999 and 1998, none of the expenditures tested were certified by the Clerk Treasurer prior to incurring the obligation. We recommend the Clerk Treasurer certify the availability of funds at the time the commitment is made or implement the use of the Then and Now Certificates for expenditures when the certificate of the fiscal officer is not currently available.

FINDING NUMBER 1999-60977-002

Noncompliance Citation

Ohio Revised Code Sections 5705.39 and 5705.40 state that 1) total appropriations from each fund should not exceed the total estimated revenue; and 2) any appropriation measure may be amended or supplemented as long as the District complies with the same provisions of the law as were used in the making the original appropriation.

During the audit period, the District did not obtain a certificate from the County Auditor stating that the total appropriations from each fund do not exceed the total official estimate or amended official estimate of resources. As a result, appropriations exceeded estimated resources in the Debt Service Fund during 1999 and 1998 by \$480,000 and \$472,451, respectively. Also, the amended appropriation resolutions adopted by the Board of Trustees were not approved by the County Budget Commission. As a result, the District adopted these amended appropriations resolutions in excess of estimated resources for 1999 and 1998.

We recommend that the Board of Trustees review and approve all amendments to appropriations during their regular meetings. We further recommend that all amendments are submitted to the county budget

FINDING NUMBER 1999-60977-002 (Continued)

commission for review and approval and that the District obtain the required certificate from the county auditor certifying that appropriations do not exceed estimated resources.

FINDING NUMBER 1999-60977-003

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states in part that political subdivisions are prohibited from making an expenditure unless it has been properly appropriated.

Disbursements exceeded appropriations at the legal level of control for the following line items:

1999	Appropriations	Disbursements	Variance
General Fund, Other	\$10,000	\$16,204	\$6,204
General Fund, Professional Services	0	54,280	54,280
Debt Service, Bonded Debt	380,000	386,100	610
1998	Appropriations	Disbursements	Variance
General Fund, Repairs and Supplies	\$5,000	\$15,444	\$10,444
Debt Service, Bonded Debt	370,000	385,220	6,100

We recommend that the District adopt amended appropriation resolutions as needed in order to ensure expenditures are within the appropriated amounts.



STATE OF OHIO
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NORTH HILLS WATER DISTRICT

SUMMIT 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
NOVEMBER 14, 2000**