



**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ayersville Water and Sewer District
Defiance County
13961 Fruit Ridge Road
Defiance, Ohio 43512-6985

To the Board of Trustees:

We have audited the accompanying financial statements of the Ayersville Water and Sewer District, Defiance County, Ohio, (the District) as of and for the years ended December 31, 2000 and 1999. 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 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 audits 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 cash balances of the District as of December 31, 2000 and 1999, and its combined cash receipts and cash 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 August 23, 2001 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 our 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.

Jim Petro
Auditor of State

August 23, 2001

**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000	1999
Operating Cash Receipts:		
Charges for Services	\$333,478	848,565
Miscellaneous	1,797	1,315
Total Operating Cash Receipts	335,275	849,880
Operating Cash Disbursements:		
Personal Services	67,864	70,243
Travel/Transportation	1,714	1,403
Other Contractual Services	124,526	138,979
Chemicals and Operating Supplies	14,336	37,575
Capital Outlay	6,590	70,769
Total Operating Cash Disbursements	215,030	318,969
Operating Income	120,245	530,911
Non-Operating Cash Receipts:		
Intergovernmental Revenues	12,250	
Other Non-Operating Revenues	33,547	17,272
Total Non-Operating Cash Receipts	45,797	17,272
Non-Operating Cash Disbursements:		
Debt Service	101,275	99,897
Other Non-Operating Cash Disbursements	2,925	2,600
Total Non-Operating Cash Disbursements	104,200	102,497
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	61,842	445,686
Transfers-In	15,298	55,343
Transfers-Out	(15,298)	(55,343)
Net Receipts Over/(Under) Disbursements	61,842	445,686
Cash Balances, January 1	558,946	113,260
Cash Balances, December 31	\$620,788	\$558,946

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

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**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ayersville Water and Sewer District, Defiance 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 a seven-member Board of Trustees appointed by the Highland Township Board of Trustees. The District provides water and sewer services to residents of the District.

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 cash disbursements basis of accounting. Cash receipts are recognized when received in cash rather than when earned, and cash 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

Certificates of Deposit are valued at cost

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 Enterprise Fund Type.

Enterprise 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 Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually beginning in fiscal year 2000.

**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts). 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. The District did not use the encumbrance method of accounting or certify the availability of funds contrary to the requirements of the requirements of the Ohio Administrative Code and the Ohio Revised Code.

A summary of 2000 and 1999 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment. Unpaid vacation is not reflected as liabilities under the basis of accounting used by the District.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in Certificates of deposit.

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. Cash and investments includes cash on hand of \$150 at December 31, 2000 and 1999. The carrying amount of cash and investments at December 31 was as follows:

**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2000</u>	<u>1999</u>
Demand deposits	\$128,653	\$96,012
Certificates of deposit	<u>491,985</u>	<u>462,784</u>
Total deposits	<u><u>\$620,638</u></u>	<u><u>\$558,796</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	<u>\$340,107</u>	<u>\$396,370</u>	<u>\$56,263</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	<u>\$637,232</u>	<u>\$334,528</u>	<u>\$302,704</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	<u>\$976,796</u>	<u>\$922,495</u>	<u>(\$54,301)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	<u>\$978,999</u>	<u>\$476,809</u>	<u>\$502,190</u>

4. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	<u>\$983,418</u>	2 to 7%

**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. DEBT (Continued)

The Ohio Water Development Authority, (OWDA) loans relate to waterline extension projects, a water system construction project, the District office building project, equipment purchases, and engineering and technical services for the wastewater planning project.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans
2001	\$100,357
2002	105,250
2003	105,857
2004	106,504
2005	107,192
Subsequent	1,112,649
Total	\$1,637,809

OWDA has approved three additional loans for the District. These loans have not been finalized, and loan repayment schedules have not been established. These loans are being used to disburse the engineering and technical services related to the planning of the wastewater project. As of December 31, 2000 the District's obligation for loan numbers 2120 and 2120S was \$746,875. The interest on these loans has been waived indefinitely by the OWDA. The District was required to make a \$1,000 per month payment on these loans until May 1999 when the District started planning Phase A of the Waste Water project. The District's obligation for loan number WPCLF at December 31, 2000 including capitalized interest was \$124,437.

5. RETIREMENT SYSTEMS

The District's full-time employees 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The District has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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



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

Ayersville Water and Sewer District
Defiance County
13961 Fruit Ridge Road
Defiance, Ohio 43512-6985

To the Board of Trustees:

We have audited the accompanying financial statements of Ayersville Water and Sewer District (the District) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 23, 2001. We conducted our audits 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.

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 2000-60120-001 and 2000-60120-002. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 23, 2001.

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. 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 August 23, 2001.

Ayersville Water and Sewer District
Defiance 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 management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

August 23, 2001

**AYERSVILLE WATER AND SEWER DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-60120-001

Ohio Revised Code § 5705.41 (D) states no orders or contracts involving the expenditure of money 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.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificates: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

None of the disbursements tested during the audit period had been properly certified. We recommend the District institute the use of purchase orders for any expenditures to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now " certificate.

FINDING NUMBER 2000-60120-002

Ohio Administrative Code § 117-2-02 requires all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal contractual requirements and prepare financial statements. To comply with this section, public offices should use purchase orders to approve purchase commitments and to encumber funds against the applicable appropriations account as required by § 5705.41(D). The public office should also integrate the budgetary accounts into the financial accounting system by designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District did not encumber obligations and the revenue ledger and disbursement ledger did not include budgetary information. This could result in deficit spending since the District does not have a record of the uncommitted balances of appropriations. To improve controls over disbursements, we recommend the District use purchase orders to certify the availability of funds when making expenditures and to document the encumbrance of funds.



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AYERSVILLE WATER AND SEWER DISTRICT

DEFIANCE 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
SEPTEMBER 11, 2001**