



**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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, (the District) as of and for the years ended December 31, 2001 and 2000. 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 fund cash balances and reserves for encumbrances of the District as of December 31, 2001 and 2000, and its 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 August 8, 2002 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, 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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

August 8, 2002

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$64,513	\$0	\$64,513
Intergovernmental	11,858		11,858
Charges for Services	3,375		3,375
Earnings on Investments	27,883		27,883
Developer Fees	79,025		79,025
	<u>186,654</u>	<u>0</u>	<u>186,654</u>
Total Cash Receipts	186,654	0	186,654
Cash Disbursements:			
Current:			
Salaries and Benefits	18,619		18,619
Repairs and Supplies	30,121		30,121
Insurance and Bonds	4,792		4,792
Administrative Contracts	1,500		1,500
Utilities	527		527
Other Expenses	23,187		23,187
Legal Expenses	1,610		1,610
Workers Compensation	80		80
Capital Outlay	51,078		51,078
	<u>131,514</u>	<u>0</u>	<u>131,514</u>
Total Disbursements	131,514	0	131,514
Total Receipts Over Disbursements	55,140	0	55,140
Fund Cash Balances, January 1	614,218	12,877	627,095
Fund Cash Balances, December 31	<u>\$669,358</u>	<u>\$12,877</u>	<u>\$682,235</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**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	
Cash Receipts:			
Local Taxes	\$60,601	\$0	\$60,601
Intergovernmental	3,865		3,865
Charges for Services	4,600		4,600
Earnings on Investments	27,722		27,722
Developer Fees	26,814		26,814
	<u>123,602</u>	<u>0</u>	<u>123,602</u>
Total Cash Receipts			
	<u>123,602</u>	<u>0</u>	<u>123,602</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	18,495		18,495
Repairs and Supplies	21,397		21,397
Insurance and Bonds	4,139		4,139
Administrative Contracts	750		750
Utilities	605		605
Professional Services	6,737		6,737
Other Expenses	5,932		5,932
Legal Expenses	845		845
Workers Compensation	259		259
Capital Outlay	35,262		35,262
	<u>94,421</u>	<u>0</u>	<u>94,421</u>
Total Disbursements			
	<u>94,421</u>	<u>0</u>	<u>94,421</u>
Total Receipts Over Disbursements	29,181	0	29,181
Fund Cash Balances, January 1	585,037	12,877	597,914
	<u>585,037</u>	<u>12,877</u>	<u>597,914</u>
Fund Cash Balances, December 31	<u>\$614,218</u>	<u>\$12,877</u>	<u>\$627,095</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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The North Hills Water District (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 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

Investments are included in the 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.

2. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment, of bond and note indebtedness. The District has the following Debt Service Fund:

Bonded Debt Fund – This fund was 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, both of which have been paid in full.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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 must annually approve the appropriation measure 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.

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 2001 and 2000 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.

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>2001</u>	<u>2000</u>
Demand deposits	\$682,235	\$627,095

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$738,192	\$186,654	(\$551,538)
Debt Service	13,876	0	(13,876)
Total	\$752,068	\$186,654	(\$565,414)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$720,036	\$131,514	\$588,522
Debt Service	13,876	0	13,876
Total	\$733,912	\$131,514	\$602,398

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$720,036	\$123,602	(\$596,434)
Debt Service	13,876	0	(13,876)
Total	\$733,912	\$123,602	(\$610,310)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$720,036	\$94,421	\$625,615
Debt Service	13,876	0	13,876
Total	\$733,912	\$94,421	\$639,491

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 117.38, the District did not file their 2001 and 2000 financial reports with the Auditor of State.

Contrary to Ohio Rev. Code Section 5705.28, the District did not adopt a tax budget for fiscal years 2001 and 2000, within the specified time period.

Contrary to Ohio Rev. Code Section 5705.34, the District did not adopt a resolution authorizing the necessary tax levies or certify them to the county auditor by the required date for fiscal years 2001 and 2000.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. NONCOMPLIANCE (Continued)

Contrary to Ohio Rev. Code Sections 5705.36 and 5705.39, the District did not certify to the County Auditor the total amount from all sources available for expenditure or obtain an amended certificate for fiscal years 2001 and 2000. By not obtaining the required certificates, the District had appropriations in excess of estimated resources.

Contrary to Ohio Rev. Code Section 5705.41(B), the District had expenditures in excess of appropriations at the legal level of control for fiscal year 2000.

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not properly certify expenditures prior to commitments being made during fiscal years 2001 and 2000.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

6. 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000 through December 31, 2000. The District has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- General liability
- Public Official's liability
- Employers liability



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111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
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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 the North Hills Water District, Summit County, (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 8, 2002. 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 the 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 2001-60977-001 through 2001-60977-006.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 8, 2002.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-60977-007 and 2001-60977-008.

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

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely 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 stylized flourish at the end.

Jim Petro
Auditor of State

August 8, 2002

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2001-60977-001

Ohio Rev. Code Section 117.38 requires that a financial report of each public office, other than a state agency, shall be made for each year in accordance with forms prescribed by rule by the Auditor of State; however, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the Auditor of State within 60 days after the close of the fiscal year; and the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

The District did not file their 2001 and 2000 financial reports with the Auditor of State. Also, the District did not publish notice of the availability of financial reports for public inspection.

We recommend the District prepare and file their annual financial report within 60 days of the fiscal year end and publish the necessary information as requested.

FINDING NUMBER 2001-60977-002

Ohio Rev. Code Section 5705.28 requires the District to adopt a tax budget for the next succeeding year on or before July 15 of each year.

The Board did not approve an annual tax budget for the years 2001 and 2000.

To avoid jeopardizing their share of local government monies, we recommend the District adopt a tax budget on or before July 15 of each year as required.

FINDING NUMBER 2001-60977-003

Ohio Rev. Code Section 5705.34 requires each taxing authority to pass an ordinance or resolution authorizing the necessary tax levies and, to certify such levies to the County Auditor before October 1st of the preceding year.

The District adopted resolutions certifying the amounts and rates as determined by the County Auditor for 2000 on December 30, 2000. The District did not adopt a resolution certifying the amounts and rates as determined by the County Auditor for 2001. We recommend that the District authorize the necessary tax levies within the required time frame.

**NONCOMPLIANCE CITATIONS
 (Continued)**

FINDING NUMBER 2001-60977-004

Ohio Rev. Code Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units certify to the County Auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any balances that existed at the end of the preceding year. **Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund should not exceed total estimated fund resources from each fund. This section also requires the District to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

The District did not provide evidence in the form of the Certificate of Total Amount from All Sources Available for Expenditures that it had certified the required amounts to the County Auditor for 2001 or 2000. With no original official certificate or Amended Official Certificate of Estimated Resources received from the County Auditor, all appropriations exceeded estimated resources. Although budgetary disbursements did not exceed actual resources, appropriations did exceed actual resources.

By not certifying to the County Auditor when necessary, the District could base appropriations on estimates of available resources which could result in negative fund balances.

We recommend the District certify the necessary amounts to the County Auditor and obtain amended certificates when actual revenues are expected to significantly vary from previously estimated resources.

A similar matter was reported in our audit of the December 31, 1999 and 1998 financial statements.

FINDING NUMBER 2001-60977-005

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. Disbursements exceeded appropriations at the legal level of control for the following line items:

<u>2001</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
General Fund, Secretary	\$13,800	\$14,600	\$800
General Fund, Other	10,000	23,406	13,406

In addition, appropriations posted to the appropriations ledger did not always agree to the actual appropriation resolution plus supplemental appropriations. The Board should frequently compare actual expenditures plus outstanding encumbrances to the appropriations at the object level to avoid potential overspending. Also, the Board should periodically review the District's appropriation ledger to ensure appropriation amounts are posted accurately and timely.

A similar matter was reported in our audit of the December 31, 1999 and 1998 financial statement.

FINDING NUMBER 2001-60977-006

Ohio Rev. Code Section 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.

**NONCOMPLIANCE CITATIONS
(Continued)**

**FINDING NUMBER 2001-60977-006
(Continued)**

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

- Then and Now Certificate – 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.
- Amounts of less than \$1,000 may be paid by the Clerk-Treasurer 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.

During 2001 and 2000, none of the expenditures tested were certified by the Clerk-Treasurer prior to incurring the obligation and neither of the exceptions provided were utilized. 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.

A similar matter was reported in our audit of the December 31, 1999 and 1998 financial statement.

MATERIAL WEAKNESS

FINDING NUMBER 2001-60977-007

Board Minutes

During review of the minute record for the audit period, the following weaknesses were noted:

- Board minutes were not signed by the President of the Board for 8 of 8 meetings.
- Board minutes were not signed by the Clerk for 1 of 8 meetings.
- Board minutes were not approved by the Board for 3 of 8 meetings.
- Pertinent information was not always included in the minutes. For example, details such as the time a Board member arrived at the meeting, if it was after roll call; votes; appropriation details; and resolution details were not specified/included to document the intent of the Board.

**MATERIAL WEAKNESS
(Continued)**

**FINDING NUMBER 2001-60977-007
(Continued)**

We recommend the Board implement the following to improve accountability over the minute records:

- All Board minutes should be signed by the President and witnessed by the Clerk-Treasurer. Minutes are not official until approved and entered into public record at the Board's next meeting. Any actions that were passed would not be legally binding until the minutes have been properly approved and signed.
- All pertinent information documenting the Board's intent should be included in the official minutes.

Implementing the above listed procedures will help ensure the minute records will reflect accurate and pertinent information.

FINDING NUMBER 2001-60977-008

Financial Records

For the years ended December 2001 and 2000, the District's accounting records were maintained in a manner such that interim financial activity and annual financial statements were not available in a timely fashion. Supporting documentation for both payments and deposits was not always available. Also, when supporting documentation was available, it sometimes did not agree with the related transaction. Bank reconciliations were not performed correctly or on a timely basis. Providing current and reliable financial information is essential to the Board for management and future planning.

The posting of financial activity should be performed accurately and in a timely fashion, and bank reconciliations should be performed monthly, including reconciliations between the bank and book balances.

To help ensure that accurate financial information is provided, at a minimum, we recommend that the Clerk-Treasurer and the Board develop, implement and monitor the following control procedures for assurance as to the timeliness and reliability of financial information:

- a. Review and approve monthly financial statement information in a timely manner.
- b. Review information such as long outstanding bank reconciliation items of more than six months or unusual or significant accounting entries.
- c. Establish and adhere to policies and procedures governing the basic provisions applicable to all local public offices pursuant to the Ohio Admin. Code Section 117-2. These policies and procedures include such things as internal controls, accounting and reporting records and annual financial reports.
- d. Review account reconciliations timely, including clearance of reconciling items on bank account reconciliations to help ensure accounts are reconciled accurately and in a timely manner.
- e. Develop and implement monitoring procedures to help ensure that all transactions are properly recorded and also recorded in the proper period.
- f. Develop and implement monitoring procedures to help ensure that all financial activity for the period is reflected in the financial statements.
- g. Develop and implement procedures regarding payment of financial obligations to help avoid overpayment of bills and help eliminate late payments, fines and penalties.
- h. Review and formally approve financial reports documenting the District's financial activity during regularly scheduled meetings. This review and approval should be documented in the minute record.

**MATERIAL WEAKNESS
(Continued)**

**FINDING NUMBER 2001-60977-008
(Continued)**

- i. Maintain a complete record of official proceedings to include detailed minute records, all resolutions and financial reports in a central location so they are available for public inspection.

These procedures will help improve the timeliness and accuracy of financial information provided to the Board and also improve the financial recordkeeping of the District. In addition, the District should consider utilizing a computerized accounting system to eliminate posting errors and create uniform financial reports and statements.

**NORTH HILLS WATER DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-60977-001	During 1999 and 1998, none of the expenditures tested were certified by the Clerk Treasurer prior to incurring the obligation, contrary to Ohio Rev. Code Section 5705.41(D). 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.	No	See Finding No. 2001-60977-006
1999-60977-002	During the 1999 and 1998, 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, contrary to Ohio Rev. Code Section 5705.39. As a result, appropriations exceeded estimated resources in the Debt Service Fund during 1999 and 1998. 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.	No	See Finding No. 2001-60977-004.
1999-60977-003	Disbursements exceeded appropriations at the legal level of control for certain account line items, contrary to Ohio Rev. Code Section 5705.41(B). We recommend that the District adopt amended appropriation resolutions as needed in accordance with ORC 5705.40 in order to maintain compliance standards.	No	See Finding No. 2001-60977-005.



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

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
SEPTEMBER 24, 2002**