



**Auditor of State  
Betty Montgomery**



**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

Toledo Area Sanitary District  
Lucas County  
5015 Stickney Avenue  
Toledo, Ohio 43612-3718

To the Board of Directors:

We have audited the accompanying financial statements of Toledo Area Sanitary District (the District) as of and for the year ended December 31, 2003. 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 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 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 cash balances of the District as of December 31, 2003, 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 17, 2004 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 audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 17, 2004

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

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

	General Fund
<b>Cash Receipts:</b>	
Maintenance Assessments	\$ 2,075,315
Interest Earned on Investments	9,256
Sale of Equipment and Supplies	6,576
Sale of Scrap	78
Adjustments and Refunds	5,310
Total Operating Receipts	2,096,535
<b>Cash Disbursements:</b>	
Office and Administration	
Salaries - Permanent	222,985
Salaries - Temporary	10,879
Equipment	455
Utilities and Communications	23,178
Legal and Consultation	5,859
Pension and Employee Insurance	376,846
General Insurance	132,090
Travel and Conference	3,270
Supplies	4,947
Education	7,285
Real Estate Improvements, Maintenance and Rental	11,214
Assessment Roll and Taxes	21,391
Worker's Compensation and State Examiners	16,024
Adjustments	24
Total Office and Administration	836,447
Field Program	
Salaries - Permanent	756,047
Salaries - Temporary	74,608
Vehicle and Equipment Replacement	54,634
Larvacides and Insecticides	303,858
Fuel and Lubricants	25,444
Equipment Maintenance and Shop	24,535

(Continued)

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

	<u>General Fund</u>
Field Supplies and Hand Tools	6,582
Miscellaneous and Contingencies	422
Drainage Equipment Maintenance	7,933
Vehicle and Equipment Rental	<u>7,260</u>
Total Field Program	<u>1,261,323</u>
Total Operating Disbursements	<u>2,097,770</u>
Excess of Cash Disbursements Over Cash Receipts	(1,235)
Cash Balance, Beginning of Year	<u>619,278</u>
Cash Balance, End of Year	<u><u>\$ 618,043</u></u>

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

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Toledo Area Sanitary District, Lucas 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 was established September 27, 1945, by the Common Pleas Court of Lucas County following a petition to the court for the establishment of the District for the abatement and control of mosquitoes. It became operational in 1946. Actual control operations began in 1947. In accordance with the statute, responsibility for policy determination for the District resides in the Director appointed by the judges of the Common Pleas Court. Although not provided for in statutes, a volunteer citizens advisory committee has been appointed by the Director. The General Manager, who is appointed by the Director, administers the District's operations.

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. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use.

**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.

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(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 function level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriations 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 canceled, and reappropriated in the subsequent year.

A summary of 2003 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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The carrying amount of cash at December 31 was as follows:

	2003
Demand deposits	\$ 618,043

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the District.

**3. BUDGETARY ACTIVITY**

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

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,912,000	\$ 2,096,535	\$ 184,535

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,213,100	\$ 2,097,770	\$ 115,330

**4. RETIREMENT SYSTEMS**

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through June 30, 2000. The District has paid all contributions required through December 31, 2003.

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance, life insurance, and dental, vision, and short-term disability coverage to full time, permanent employees through a private carrier.

**6. CONTINGENT LIABILITIES**

The District is defendant in one lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

**7. RELATED PARTY TRANSACTIONS**

The Secretary-Treasurer is also the District's solicitor. The District paid \$4,800 to the Secretary-Treasurer in the FYE 2003 for solicitor fees.

**8. PROPERTY TAX AND SPECIAL ASSESSMENTS**

Real property taxes and special assessments become a lien in January 1, preceding the October 1 date for which rates are adopted by the District. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Payments are due to the County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half is due the following June 20.

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.

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



**Auditor of State  
Betty Montgomery**

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

Toledo Area Sanitary District  
Lucas County  
5015 Stickney Avenue  
Toledo, Ohio 43612-3718

To the Board of Directors:

We have audited the accompanying financial statements of Toledo Area Sanitary District (the District) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 17, 2004. 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.

**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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**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 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

Toledo Area Sanitary District  
Lucas County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by Government Auditing Standards  
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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 17, 2004.

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



**Betty Montgomery**  
Auditor of State

August 17, 2004



**Auditor of State  
Betty Montgomery**

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**TOLEDO AREA SANITARY DISTRICT**

**LUCAS 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 14, 2004**