



**Auditor of State
Betty Montgomery**

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Dillonvale Mount Pleasant Wastewater Sewer District
Jefferson County
P.O. Box 686
Rhodes Street Extension
Dillonvale, Ohio 43917

To the Board of Trustees:

We have audited the accompanying financial statements of Dillonvale Mount Pleasant Wastewater Sewer District, Jefferson County, Ohio, (the District) as of and for the years ended December 31, 2003 and 2002. 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 described 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 of the Dillonvale Mount Pleasant Wastewater Sewer District, Jefferson County, Ohio, as of December 31, 2003 and 2002, 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 September 2, 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.

Dillonvale Mount Pleasant Wastewater Sewer District
Jefferson County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the management, board of trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

September 2, 2004

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**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Operating Cash Receipts:		
Charges for Services	\$206,774	\$197,367
Miscellaneous	1,435	4,413
	208,209	201,780
Operating Cash Disbursements:		
Personal Services	92,266	89,900
Utilities	13,740	14,308
Repairs and Maintenance	16,039	21,820
Testing and Licenses	1,045	925
Other Contractual Services	1,103	4,023
Chemicals and Operating Supplies	3,236	2,242
Office Supplies and Materials	4,094	3,137
Insurance	9,970	8,222
Capital Outlay	11,849	
	153,342	144,577
Operating Income/(Loss)	54,867	57,203
Non-Operating Cash Receipts:		
Local Taxes	49,577	22,703
Miscellaneous	8,828	11,099
	58,405	33,802
Non-Operating Cash Disbursements:		
Debt Service	110,796	110,796
Other Non-Operating Cash Disbursements	303	248
	111,099	111,044
Net Receipts Over/(Under) Disbursements	2,173	(20,039)
Cash Balances, January 1	287,126	307,165
Cash Balances, December 31	\$289,299	\$287,126

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

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Dillonvale Mount. Pleasant Wastewater Sewer District, Jefferson 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 five member Board of Trustees. All Board members are appointed by the Jefferson County Common Pleas Judge. The District provides 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 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 reported as assets. 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.

Certificates of deposit are valued at cost.

D. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget. The District did not adopt an annual budget for 2002 or 2003.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. The District did not establish appropriations for 2002 or 2003, contrary to Ohio law.

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The District did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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.

F. 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.

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 carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$64,299	\$62,126
Certificates of deposit	225,000	225,000
Total deposits	<u>\$289,299</u>	<u>\$287,126</u>

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

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

Budgeted vs. Actual Receipts		
Fund Type	2003	2002
Budgeted Receipts	\$0	\$0
Actual Receipts	266,614	235,581
Variance	\$266,614	\$235,581

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2003	2002
Appropriation Authority	\$0	\$0
Budgetary Expenditures	264,440	255,621
Variance	(\$264,440)	(\$255,621)

Contrary to Ohio Revised Code § 5705.38, the district did not pass an appropriation measure for 2002 or 2003. As a result, the district was in violation of the Ohio Revised Code § 5705.41 (B) for expenditures exceeding appropriations. Additionally, the District was in violation of Ohio Revised Code § 5705.41(D) for purchase orders not certified prior to invoice date.

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$406,988	12.00%
Total	\$406,988	

The Ohio Water Development Authority Loan was used to help finance the construction of a wastewater sewer plant. The loan is collateralized solely by the future revenues from the District's sewer operations.

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

Year ending December 31:	OWDA Loan
2004	\$110,796
2005	110,796
2006	110,796
2007	110,796
2008	110,796
2009	55,398
Total	\$609,378

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. RETIREMENT SYSTEM

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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The District has paid all contributions required through December 31, 2003.

6. RISK POOL MEMBERSHIP

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK POOL MEMBERSHIP (Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

7. LEGAL COMPLIANCE

Pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money illegally expended is being issued for over compensation that had been paid to two employees.

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Auditor of State Betty Montgomery

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

Dillonvale Mount Pleasant Wastewater Sewer District
Jefferson County
P.O. Box 686
Rhodes Street Extension
Dillonvale, Ohio 43917

To the Board of Trustees:

We have audited the financial statements of Dillonvale Mt. Pleasant Wastewater Sewer District, Jefferson County, Ohio, (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 2, 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the District's management in a separate letter dated September 2, 2004.

Dillonvale Mount Pleasant Wastewater Sewer District
Jefferson County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

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Betty Montgomery
Auditor of State

September 2, 2004

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Finding for Recovery – Overpayment of Compensation

On October 3, 2003, the Board of Trustees approved wage increases for three employees. The increases were established at \$.28 per hour and were to be retroactive to July 1, 2003. The increased salaries were miscalculated for two employees, causing the two employees to be overpaid in 2003.

District employees are paid twice monthly and are paid for 180.00 hours of work per month. The amounts of the overpayments follow:

Charlie Hutkay	January Through June	July Through December
Monthly Rate	\$2,533.85	\$2,584.20
X Six Months	<u>6.00</u>	<u>6.00</u>
Total, as Authorized	15,203.10	15,505.20
Overtime	<u>0.00</u>	<u>129.33</u>
Total Due	15,203.10	15,634.53
Total Paid	<u>15,203.10</u>	<u>15,755.27</u>
Overpayment	<u>\$0.00</u>	<u>\$120.74</u>

Russell Bauknecht	January Through June	July Through December
Monthly Rate	\$2,080.70	\$2,131.03
X Six Months	<u>6.00</u>	<u>6.00</u>
Total, as Authorized	12,484.20	12,786.18
Overtime	<u>0.00</u>	<u>275.51</u>
Total Due	12,484.20	13,061.69
Total Paid	12,484.20	13,658.90
Overpayment	<u>\$0.00</u>	<u>\$597.21</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public money illegally expended is hereby issued against Charlie Hutkay and Russell Bauknecht, District employees, in the amounts of \$120.74 and \$597.21, respectively and in favor of the operating fund of Dillonvale – Mt. Pleasant Wastewater Sewer District.

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

Finding Number	2003-002
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Ohio Revised Code § 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed. **Ohio Revised Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

As the District did not pass an appropriation measure for either 2002 or 2003 and as expenditures are limited by the appropriations established for each fund, all expenditures made by the District in 2002 and 2003 were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored could result in overspending. The District should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Appropriations should be limited to established appropriation limitations.

Finding Number	2003-003
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Ohio Revised Code § 5705.28(B)(2)(a) requires authorities that do not levy a tax to adopt an operating budget on or before July 15th of each year. This operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses, and any amount required for debt. The operating budget is not required to be filed with the county auditor or the budget commission. The District failed to adopt an operating budget for 2003 or 2002.

The District should estimate receipts and should adopt an operating budget for each year. Budgeted expenditures should be limited by the amount of estimated receipts and the District should use the budget throughout the year to improve control over finances.

Finding Number	2003-004
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Ohio Revised Code § 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. **Then and Now Certificate** – 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.

If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not properly certify the availability of funds for all expenditures prior to making payment. In 2002, 22% of expenditures tested were not properly certified. In 2003, 13% of expenditures tested were not properly certified.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Clerk should certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Failure to certify and availability of funds and encumber appropriations could result in overspending and negative cash balances. The District should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-001	ORC 5705.38 adoption of an appropriation measure	No	Cited again as finding number 2003-001.
2001-002	ORC 5705.41(B) expenditures exceeding appropriations.	No	Cited again as finding number 2003-002.



**Auditor of State
Betty Montgomery**

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**DILLONVALE MOUNT PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON 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
FEBRUARY 10, 2005**