



**SANDUSKY TOWNSHIP SEWER DISTRICT
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Sandusky Township Sewer District
Sandusky County
562 Crestwood Avenue
Fremont, Ohio 43420-1302

To the Board of Trustees:

We have audited the accompanying financial statements of Sandusky Township Sewer District, Sandusky County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 cash balances of the District as of December 31, 1999 and 1998, 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 May 4, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 4, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

| | <u>1999</u> | <u>1998</u> |
|---|------------------------|-----------------------|
| Cash Receipts: | | |
| Grant | \$18,681 | |
| Interest | 110 | \$46 |
| Miscellaneous | 23 | 383 |
| | <u>18,814</u> | <u>429</u> |
| Cash Disbursements: | | |
| Legal Counsel | 328 | 656 |
| Engineering Project 10351 | 914 | 828 |
| Engineering Project 10363 | 22,986 | 5,100 |
| Engineering Project 10398 | | 75 |
| Engineering Project 10794 | 3,306 | 3,653 |
| Engineering Project 10980 | | 200 |
| Audit Fees | 543 | 1,628 |
| Miscellaneous | 458 | |
| | <u>28,535</u> | <u>12,140</u> |
| Total Disbursements Over Receipts | <u>(9,721)</u> | <u>(11,711)</u> |
| Other Financing Receipts/(Disbursements): | | |
| Other Proceeds from Sale of Public Debt: | | |
| Ohio Water Development Authority Loan Proceeds | 102,672 | |
| Planning Loan Proceeds | 4,706 | 15,582 |
| Sale of Fixed Assets | 15,686 | |
| Debt Service - OWDA | (17,752) | |
| Debt Service - StarBank | (88,386) | |
| | <u>16,926</u> | <u>15,582</u> |
| Excess of Receipts and Other Financing Receipts Over Disbursements and Other Financing Disbursements | 7,205 | 3,871 |
| Cash Balances, January 1 | <u>5,881</u> | <u>2,010</u> |
| Cash Balances, December 31 | <u>\$13,086</u> | <u>\$5,881</u> |

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Sandusky Township Sewer District, Sandusky County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. The Board members are appointed by Sandusky Township. 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. Budgetary Process

The District's Board of Trustees currently do not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. House Bill 262, recently adopted by the General Assembly, will modify these procedures for 2002, for entities that do not levy a tax. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

D. 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

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

| | <u>1999</u> | <u>1998</u> |
|-----------------|-----------------|----------------|
| Demand deposits | <u>\$13,086</u> | <u>\$5,881</u> |

Deposits are insured by the Federal Depository Insurance Corporation.

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

3. DEBT

Debt outstanding at December 31, 1999 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|-----------|------------------|
| Ohio Water Development Authority Loan | \$550,899 | 6.19% |
| Ohio Public Works Commission Loan | 173,207 | 0% |
| Total | \$724,106 | |

The Ohio Water Development Authority (OWDA) loan relates to sewer planning and design project. The OWDA has approved up to \$604,000 in loans to the District for this project. Planning and design loans are for a term of five years with repayment due at the end of the term.

The Ohio Public Works Commission (OPWC) loan relates to utility construction project. The OPWC has approved \$173,207 for this loan.

Amortization of the above OPWC debt is scheduled as follows:

| Year ending December 31: | OPWC Loan |
|-----------------------------|--------------|
| 2001 | \$8,660 |
| 2002 | 8,660 |
| 2003 | 8,660 |
| 2004 | 8,660 |
| 2005 | 8,660 |
| Subsequent | 129,907 |
| Total | \$173,207 |

In addition to the debt described above, the District has defeased certain debt issues from prior years.

The OPWC loan agreement included the following debt covenant:

The District agrees to insure the project. Insurance policies issued shall be so written or endorsed as to make losses, if any, payable to the OPWC and the District as their respective interests may appear. Each policy shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to the OPWC and the District at least 10 days in advance of such cancellation.

The District was not in compliance with this requirement during 1999 and 1998.

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

4. RISK MANAGEMENT

The District is covered under Sandusky Township's insurance.

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policy. OTARMA may assess supplemental premiums. The following risks are covered by OTARMA:

- General liability and casualty
- Public official's liability
- Vehicle
- Property

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

Sandusky Township Sewer District
Sandusky County
562 Crestwood Avenue
Fremont, Ohio 43420-1302

To the Board of Trustees:

We have audited the accompanying financial statements of Sandusky Township Sewer District, Sandusky County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. The instance of noncompliance is described in the accompanying schedule of findings as item 1999-40172-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 4, 2000.

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 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 May 4, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 4, 2000

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

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

FINDING NUMBER 1999-40172-001

Noncompliance Citation - Debt Covenants

The Sandusky Township Sewer District entered into a debt agreement with the Ohio Public Works Commission dated July 1, 1998.

Appendix C-1, Article 5.3 states the recipient agrees to insure the project in such amounts as similar properties are usually insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the State of Ohio.

Appendix C-1, Article 5.4 states any insurance policy issued pursuant to Article 5.3 hereof shall be so written or endorsed as to make losses, if any, payable to the OPWC and the recipients as their interests may appear. Each insurance policy provided for in Article 5.3 hereof shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to the OPWC and the recipients at least ten days in advance of such cancellation.

The District's insurance policy does not include these provisions.



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SANDUSKY TOWNSHIP SEWER DISTRICT

SANDUSKY 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
MAY 23, 2000**