



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Ridgeville Township Water and Sewer District  
Henry County  
20524 U.S. Highway 6  
P.O. Box C  
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the accompanying financial statements of Ridgeville Township Water and Sewer District (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 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 combined fund cash balances and reserves for encumbrances of the District as of December 31, 2001 and 2000, and its combined 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 29, 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 audit.

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 long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

May 29, 2002

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<b>2001</b>	<b>2000</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$163,000	\$161,018
Miscellaneous	4,709	4,634
	167,709	165,652
<b>Operating Cash Disbursements:</b>		
Personal Services	8,980	8,882
Utilities	26,681	24,605
Repairs and Maintenance	7,087	6,258
Other Contractual Services	51,215	37,016
Chemicals and Operating Supplies	2,337	8,873
Office Supplies and Materials	2,565	8,105
Insurance	1,591	1,390
Capital Outlay	17,699	5,212
	118,155	100,341
Operating Income	49,554	65,311
<b>Non-Operating Cash Receipts:</b>		
Local Taxes	17,383	21,859
Interest Income	33,232	29,061
Miscellaneous	1,100	41,338
	51,715	92,258
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	25,223	50,478
Other Non-Operating Cash Disbursements	9,358	12,872
	34,581	63,350
Net Cash Receipts Over Cash Disbursements	66,688	94,219
Cash Balances, January 1	580,090	485,871
<b>Cash Balances, December 31</b>	<b>\$646,778</b>	<b>\$580,090</b>
Reserve for Encumbrances, December 31	\$46,123	

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

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**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ridgeville Township Water and Sewer 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 five-member Board of Trustees. All Board members are appointed by Ridgeville Township; the only subdivision that makes-up the District. 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 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 and repurchase agreements 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:

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

*Sewer Debt Retirement Fund* - This fund received special assessments to pay principal and interest on the Ohio Water Development Authority loan related to the construction of the Ridgeville Corners Wastewater Treatment Facilities.

**E. Budgetary Process**

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

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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. 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. Unencumbered appropriations lapse at year end. The Board did not approve annually an appropriation measure.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 properly certify or encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

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 invests in certificates of deposit and repurchase agreements.

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:

	2001	2000
Cash on hand	\$200	\$200
Demand deposits	293,494	193,452
Certificates of deposit	353,084	336,184
Total deposits and cash on hand	646,778	529,836
Repurchase agreement		50,254
Total deposits, cash on hand and investments	\$646,778	\$580,090

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

**Investments:** The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name.

**3. BUDGETARY ACTIVITY**

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

Budgeted vs. Actual Receipts		
Enterprise Fund Type	2001	2000
Budgeted Receipts	\$237,529	\$278,863
Actual Receipts	219,424	257,910
Variance	(\$18,105)	(\$20,953)

Budgeted vs. Actual Budgetary Basis Expenditures		
Enterprise Fund Type	2001	2000
Appropriation Authority		
Budgetary Expenditures	\$198,859	\$163,691
Variance	(\$198,859)	(\$163,691)

Contrary to Ohio law, the District did not approve an appropriation measure; therefore expenditures exceeded appropriations in all funds.

**4. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Water Revenue Bonds	\$109,130	8.48%

The Ohio Water Development Authority (OWDA) loan relates to the construction of the Ridgeville Corners Wastewater Treatment Facilities.

The District could not provide evidence that their insurance policy incorporates the provision described in Article 5.4 and 5.6 of the *Cooperative Agreement for Construction, Maintenance and Operation of State Sewer Project*.

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

Year ending December 31:	Ohio Water Development Authority
2002	\$50,447
2003	50,447
2004	25,223
Total	\$126,117

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

**5. RETIREMENT SYSTEMS**

The District's full-time employee belongs 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. The District has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Property;
- General liability;
- Contractors equipment; and
- General floater.

The District is uninsured for the following risks:

- Public officials' liability.



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

Ridgeville Township Water and Sewer District  
Henry County  
20524 U.S. Highway 6  
P.O. Box C  
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the accompanying financial statements of Ridgeville Township Water and Sewer District (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 29, 2002. 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 are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40135-001 through 2001-40135-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 29, 2002.

**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 29, 2002.

Ridgeville Township Water and Sewer District  
Henry County  
Report of Independent Accountants 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal tail.

**Jim Petro**  
Auditor of State

May 29, 2002

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-40135-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. The District did not pass a resolution establishing appropriations for fiscal year 2001 and 2000. The appropriation measure is essentially the District's working budget. The Board of Trustees should adopt the measure to ensure that its financial goals and plans are included. We recommend the Board of Trustees pass a resolution establishing the appropriations for each fund on or about the first day of each fiscal year. The District should utilize this resolution as the basis for posting appropriations to the accounting software.

**FINDING NUMBER 2001-40135-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The District did not establish annual appropriations in accordance with 5705.38 which resulted in expenditures exceeding appropriations. We recommend the Board of Trustees properly establish appropriations and monitor budget to actual activity throughout the year.

**FINDING NUMBER 2001-40135-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

**FINDING NUMBER 2001-40135-003  
(Continued)**

Evidence of proper certification could not be provided for 30 percent of the transactions tested during the audit period. We recommend that the Manager certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by District officials. The certification can also be made through the use of “regular blanket”, “then and now” or “super blanket” certificates.

In addition to regular blanket certificates, a subdivision’s fiscal officer may also issue so-called “super blanket” certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

**FINDING NUMBER 2001-40135-004**

**Noncompliance Citation**

Article 5.4 of Cooperative Agreement for Construction, Maintenance and Operation of State Sewer Project requires any insurance policy issued pursuant to Section 5.3 hereof shall be so written or endorsed as to make losses, if any, payable to the Ohio Water Development Authority (OWDA) and the legislative authority (LGA) as their interest may appear. Each insurance policy provided for in section 5.3 and 5.6 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 OWDA and the LGA at least ten days in advance of such cancellation. Article 5.4 further requires that the OWDA shall be made an additional insured under such public liability insurance policies in respect to project facilities.

The District could not provide evidence that their insurance policy incorporates the provision described above. This could influence future funding, if requested, from OWDA. We recommend the District review their OWDA agreement and amend their insurance policy to incorporate related provisions.



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**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT**

**HENRY 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  
JULY 2, 2002**