



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Whitewater Township Regional Sewer District
Hamilton County
P.O. Box 532
Miamitown, Ohio 45041

To the Board of Trustees:

We have audited the accompanying financial statements of the Whitewater Township Regional Sewer District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 2001 and for the period from inception (April 14, 2000) to December 31, 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 fund cash balance of the District as of December 31, 2001 and 2000, and its cash receipts and disbursements for the year ended December 31, 2001 and the initial period ended December 31, 2000 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 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 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

July 29, 2002

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT FUND
HAMILTON COUNTY**

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

Operating Cash Receipts:

Charges for Services	<u>\$0</u>
Total Operating Cash Receipts	<u>0</u>

Operating Cash Disbursements:

Testing and Licenses	
Other Contractual Services	169,278
Insurance	<u>2,750</u>
Total Operating Cash Disbursements	<u>172,028</u>

Operating Income/(Loss)	<u>(172,028)</u>
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Non-Operating Cash Receipts:

Proceeds from OWDA Loans	<u>171,354</u>
Total Non-Operating Cash Receipts	<u>171,354</u>

Non-Operating Cash Disbursements:

Other Non-Operating Cash Disbursements	<u>652</u>
Total Non-Operating Cash Disbursements	<u>652</u>

Net Receipts Over/(Under) Disbursements	(1,327)
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Fund Cash Balances, January 1	<u>1,378</u>
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Fund Cash Balances, December 31	<u><u>\$51</u></u>
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Reserve for Encumbrances, December 31	<u><u>\$0</u></u>
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The notes to the financial statements are an integral part of this statement.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT FUND
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE INITIAL PERIOD APRIL 14, 2000 TO DECEMBER 31, 2000**

Operating Cash Receipts:	
Charges for Services	\$0
Total Operating Cash Receipts	0
Operating Cash Disbursements:	
Testing and Licenses	3,853
Other Contractual Services	138,229
Total Operating Cash Disbursements	142,082
Operating Income/(Loss)	(142,082)
Non-Operating Cash Receipts:	
Proceeds from OWDA Loan	154,460
Total Non-Operating Cash Receipts	154,460
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	11,000
Total Non-Operating Cash Disbursements	11,000
Net Receipts Over/(Under) Disbursements	1,378
Fund Cash Balances, January 1	0
Fund Cash Balances, December 31	\$1,378
Reserve for Encumbrances, December 31	\$0

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

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Whitewater Township Regional Sewer District, Hamilton County, Ohio (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, under Ohio Revised Code Section 6119. The District is directed by a five-member Board of Trustees. The Board is appointed by the Whitewater Township Board of Trustees, and only those persons who are residents of an area within the District's territory are eligible to serve as Board members. The District will provide 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

The District's funds are deposited in a checking account with a local commercial bank.

D. Budgetary Process

Ohio Attorney General Opinion No. 99-020 clarified that the budget process described in Chapter 5705, Ohio Revised Code, applies to the District, regardless of whether the District levies property taxes. These documents are required to be prepared in accordance with the Ohio Revised Code, but are not required to be filed with the county auditor or county budget commission. The District must henceforth adopt an annual budget and annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations. The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not adhere to the budget process.

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.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY**

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

2. EQUITY IN CASH

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

	2001	2000
Demand deposits	\$51	\$1,378
Total deposits	\$51	\$1,378

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
OWDA Planning Loan	\$101,800	6.39%
OWDA Construction Loan	247,543	5.15%
Total	\$349,343	

The Ohio Water Development Authority (OWDA) loan relates to a sewer line expansion project. The OWDA has approved up to \$1,404,352 in loans to the District for this project, although only \$325,813 has been received as of December 31, 2001. \$23,530 in interest and fees have been incurred on this loan making a total of \$349,343 in debt outstanding for this project as of December 31, 2001. The loans will be repaid in semiannual installments of \$52,230, including interest, over 30 years. The scheduled payment amount below assumes that \$1,404,352 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by an agreement with the Hamilton County Commissioners and the Metropolitan Sewer District of Greater Cincinnati (MSD), a county sewer district, whereby MSD will contribute an amount equal to the total costs of the project, not to exceed MSD's engineer's estimate plus ten percent (10%). Upon receipt of the MSD contribution, the District will transfer ownership of the Phase I interceptors to Hamilton County.

Amortization of the above debt, including interest assuming the amount borrowed will be \$1,404,353, is scheduled as follows:

Year ending December 31:	OWDA Construction Loan
2002	\$0
2003	104,460
2004	104,460
2005	104,460
2006	104,460
2007	104,460
2008 - 2012	522,301
2013 - 2017	522,301
2018 - 2022	522,301
Total	\$2,089,206

The Planning Loan will be rolled into the Construction Loan before repayments begin. Repayment of the loan will be made from user charges.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY**

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

4. PHASE I INTERCEPTORS PROJECT

The District entered into an agreement with the Metropolitan Sewer District of Greater Cincinnati, Hamilton County, Ohio (MSD), providing for MSD's purchase of the District's Phase I Interceptors Project (the Project) after construction is completed for the total costs of the Project, not to exceed MSD's engineer's estimate plus ten percent (10%) less grant monies received by the District. The District will then transfer ownership of the Project to Hamilton County. The Project will collect sewage from a point near Hooven, proceeding south along State Route 128 to a point near the intersection of State Route 128 and U.S. 50. From this point, wastewater will be pumped under the Great Miami River and connected to an existing MSD manhole located less than one thousand (1,000) feet east of the Great Miami River. From there, the wastewater will flow through an MSD lift station in Cleves to the MSD Indian Creek Wastewater Treatment Plant.

5. RISK MANAGEMENT

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 insurance 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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP 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 cover PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY**

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

5. RISK MANAGEMENT (Continued)

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained Earnings	<u>\$10,530,870</u>	<u>\$ 9,397,097</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained Earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

6. COMPLIANCE

The District did not adopt an operating budget for 2001 or 2002. The District did not prepare a certificate of estimated resources for 2001. The District did not adopt an annual appropriation measure for 2001. The District does not verify the availability of funds before making commitments.



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

Whitewater Township Regional Sewer District
Hamilton County
P.O. Box 532
Miamitown, Ohio 45041

To the Board of Trustees:

We have audited the accompanying financial statements of the Whitewater Township Regional Sewer District, Hamilton County, Ohio (the District), as of and for the year ended December 31, 2001 and for the period from inception (April 14, 2000) to December 31, 2000, and have issued our report thereon dated July 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 2001-40483-001 through 2001-40483-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 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 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 July 29, 2002.

Whitewater Township Regional Sewer District
Hamilton 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 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, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 29, 2002

**WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT
HAMILTON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-40483-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.36, states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify the total amount from all sources which is available for expenditures from each fund in the operating budget along with any unencumbered balances that existed at the end of the preceding year. The District did not prepare such a certificate for the year 2001.

FINDING NUMBER 2001-40483-002

Noncompliance Citation

Ohio Rev. Code, Section 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 adopt an annual appropriation measure for 2001.

FINDING NUMBER 2001-40483-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit 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 null and void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – 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 Board 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.

- B. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The District did not certify any expenditures during the audit period.



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WHITEWATER TOWNSHIP REGIONAL SEWER DISTRICT

HAMILTON 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
OCTOBER 10, 2002**