



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Dillonvale – Mt. 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 the Dillonvale – Mt. Pleasant Wastewater Sewer District (the District) as of and for the years ended December 31, 2001 and 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 combined cash balances of the Dillonvale – Mt. Pleasant Wastewater Sewer District as of December 31, 2001 and December 31, 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 15, 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 audit committee, 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".

Jim Petro
Auditor of State

May 15, 2002

**DILLONVALE - MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

	2001	2000
Operating Cash Receipts:		
Charges for Services	\$181,510	\$179,615
Miscellaneous	1,480	1,495
	182,990	181,110
Operating Cash Disbursements:		
Personal Services	86,846	80,116
Utilities	13,891	12,766
Repairs and Maintenance	9,485	13,167
Office Supplies and Materials	6,974	2,539
Insurance	8,218	11,024
Capital Outlay	9,969	46,807
	135,383	166,419
Operating Income/(Loss)	47,607	14,691
Non-Operating Cash Receipts:		
Local Taxes	21,376	20,083
Intergovernmental Revenues		38,509
Other Non-Operating Revenues	19,350	20,768
	40,726	79,360
Non-Operating Cash Disbursements:		
Debt Service	110,796	110,796
Other Non-Operating Cash Disbursements	588	1,331
	111,384	112,127
Net Receipts Over/(Under) Disbursements	(23,051)	(18,076)
Fund Cash Balances, January 1	330,216	348,292
Fund Cash Balances, December 31	\$307,165	\$330,216

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

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**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Dillonvale - Mt. 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. One Board member is appointed by each political subdivision within the District and one member at large is appointed by the Jefferson County Common Pleas Judge. Those subdivisions are: the Village of Dillonvale, the Village of Mount Pleasant, Smithfield Township, and Mount Pleasant 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. Deposits and Investments

Investments are included in fund cash balances. 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 municipal bonds 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.

Debt Repayment Fund – This fund is used to make payments on the District's OWDA loan which was taken out to construct a wastewater plant.

E. Budgetary Process

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

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2000 or 2001, contrary to Ohio law.

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.

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.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in certificates of deposit and municipal bonds.

The District maintains a cash and investment pool used by all funds. The carrying amount of cash and investments at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand Deposits	\$ 157,165	\$ 68,924
Certificates of Deposit	<u>75,000</u>	<u>185,892</u>
Total Deposits	232,165	254,816
Municipal Bonds	<u>75,000</u>	<u>75,400</u>
Total Deposits and Investments	<u>\$ 307,165</u>	<u>\$ 330,216</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: Municipal bonds are held in book-entry form by an investment firm in the name of the District. The investment firm maintains records identifying the District as owner of these securities.

3. BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts		
	<u>2001</u>	<u>2000</u>
Budgeted Receipts	\$206,500	\$ 0
Actual Receipts	<u>223,716</u>	<u>260,470</u>
Variance	<u>\$ 17,216</u>	<u>\$260,470</u>

Budgeted vs. Actual Expenditures		
	<u>2001</u>	<u>2000</u>
Appropriation Authority	\$ 0	\$ 0
Actual Expenditures	<u>246,767</u>	<u>278,546</u>
Variance	<u>\$(278,767)</u>	<u>\$(278,546)</u>

Contrary to Ohio Revised Code § 5705.38, the District did not pass an appropriations measure for 2000 or 2001. As a result, the District was in violation of Ohio Revised Code § 5705.41(B) for expenditures exceeding appropriations.

4. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$528,021</u>	12%
Total	<u>\$528,021</u>	

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

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2002	\$110,796
2003	110,796
2004	110,796
2005	110,796
2006	110,796
Subsequent	<u>276,991</u>
Total	<u>\$830,971</u>

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 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 for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The District has paid all contributions required through December 31, 2001.

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 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. 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 covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

B. Property Insurance

PEP retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding up \$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.

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

6. RISK POOL MEMBERSHIP (Continued)

C. Financial Position

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

Casualty Coverage	2001	2000
Assets	\$19,358,458	\$17,112,129
Liabilities	(8,827,588)	(7,715,035)
Retained Earnings	\$10,530,870	\$9,397,094
Property Coverage		
Assets	\$1,890,323	\$1,575,614
Liabilities	(469,100)	(281,561)
Retained Earnings	\$1,421,223	\$1,294,053

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

Dillonvale – Mt. 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 the Dillonvale – Mt. Pleasant Wastewater Sewer District (the District) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated May 15, 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* and which are described in the accompanying schedule of findings as items 2001-31241-001 and 2001-31241-002.

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.

Dillonvale – Mt. Pleasant Wastewater Sewer District
Jefferson 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 audit committee, 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 loop at the end of the last name.

Jim Petro
Auditor of State

May 15, 2002

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

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

FINDING NUMBER 2001-31241-001

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 an annual appropriation measure for either 2001 or 2000. As noted in finding 2001-61234-002, expenditures are limited by the appropriations established for each fund, therefore, all expenditures made by the District for 2001 and 2000 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 appropriations 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 resource estimates.

FINDING NUMBER 2001-31241-002

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As noted in finding 2001-61234-001, the District did not pass an annual appropriations measure for 2000 or 2001. Therefore, all expenditures made by the District during both years exceeded appropriations.

Failure to limit expenditures to appropriated levels could result in overspending and/or deficit balances. The District should pass all necessary budgetary measures and monitor the amounts to assure compliance with budgetary requirements.

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-31241-001	Finding for recovery against former Clerk for overpayment at time of severance.	Yes	



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DILLONVALE - MT. 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
JULY 11, 2002**