



**Auditor of State  
Betty Montgomery**



**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Ayersville Water and Sewer District  
Defiance County  
13961 Fruit Ridge Road  
Defiance, OH 43512-6985

To the Board of Trustees:

We have audited the accompanying financial statements of the Ayersville Water and Sewer District, Defiance County, (the District) as of and for the year ended December 31, 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 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 of the District as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2003 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.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 30, 2003

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Operating Cash Receipts:</b>	
Charges for Services	\$406,729
Miscellaneous	1,848
	<u>408,577</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	80,544
Travel Transportation	2,354
Contractual Services	1,554,529
Supplies and Materials	32,557
Capital Outlay	1,045
	<u>1,671,029</u>
Excess of Operating Disbursements Over Operating Receipts	<u>(1,262,452)</u>
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	415,744
Intergovernmental Revenues	1,463,952
Proceeds from Sale of Public Debt	1,743,265
Other Non-Operating Revenues	53,731
	<u>3,676,692</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	2,621,066
Other Non-Operating Cash Disbursements	2,100
	<u>2,623,166</u>
Deficiency of Receipts Under Disbursements Before Interfund Transfers and Advances	<u>(208,926)</u>
Transfers-In	4,155
Transfers-Out	(4,155)
	<u>(4,155)</u>
Net Receipts Under Disbursements	(208,926)
Cash Balances, January 1	<u>393,626</u>
<b>Cash Balances, December 31</b>	<b><u>\$184,700</u></b>

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

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**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ayersville Water and Sewer District, Defiance 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 seven-member Board of Trustees appointed by the Highland Township Board of Trustees. 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**

Certificates of deposit 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:

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

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

*Capital Projects Sewer Phase A Fund* – This fund received grant and loan proceeds from the United States Department of Agricultural Rural Development to fund phase A of the District's sanitary sewer facility. These loans will be repaid from charges for services from residents to cover the cost of providing this project.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund function level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2002 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.

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. Cash and investments include cash on hand of \$150 at December 31, 2002. The carrying amount of cash and investments at December 31 was as follows:

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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

	2002
Demand deposits	<u>\$128,635</u>
Certificates of deposit	<u>55,915</u>
Total deposits	<u><u>\$184,550</u></u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2002 follows:

<u>Budgeted vs. Actual Receipts</u>	
<u>Fund Type</u>	<u>2002</u>
Budgeted Receipts	\$4,088,953
Actual Receipts	<u>4,089,424</u>
Variance	<u><u>(\$471)</u></u>

<u>Budgeted vs. Actual Budgetary Basis Expenditures</u>	
<u>Fund Type</u>	<u>2002</u>
Appropriation Authority	\$4,299,579
Budgetary Expenditures	<u>4,298,350</u>
Variance	<u><u>\$1,229</u></u>

**4. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development Bonds	\$1,743,265	2 to 7%
Ohio Water Development Authority Loans	1,027,351	4.75%
Ohio Public Works Commission Loans	<u>30,829</u>	
Total	<u><u>\$2,801,445</u></u>	

The Ohio Water Development Authority, (OWDA) loans relate to waterline extension projects, a water system construction project, the District office building project, equipment purchases, and engineering and technical services for the wastewater planning project.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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

The United States Department of Agricultural Rural Development Bonds are related to the construction of phase A of the District's sanitary sewer project. Phase A of the sanitary sewer project was completed in 2002. The District will start remitting payments for this loan on June 1, 2003.

The Ohio Public Works Commission (OPWC) Loan is also related to the construction cost related to phase A of the District's sanitary sewer project. Phase A of the sanitary sewer project was completed in 2002. Payment for this loan is to commence on January 1, 2003. The District remitted its first payment of this loan on December 9, 2002.

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

Year ending December 31:	USDA Rural Development Bonds	OWDA Loans	OPWC Loans	Total All Debt
2003	\$135,478	\$107,737	\$1,581	\$244,796
2004	139,699	107,737	1,581	249,017
2005	139,946	101,816	1,581	243,343
2006	139,946	95,896	1,581	237,423
2007	139,903	95,896	1,581	237,380
Subsequent	2,025,016	920,856	22,924	2,968,796
<b>Total</b>	<b>\$2,719,988</b>	<b>\$1,429,938</b>	<b>\$30,829</b>	<b>\$4,180,755</b>

The District currently has an ongoing Loan with the Ohio Water Development Authority for costs relating to the design and engineering of Phase B of the District's Sanitary Sewer Project. The design or engineering cost related to this project was not completed at December 31, 2002. Therefore, this loan has not been finalized at December 31, 2002. The balance in this loan was \$102,629 at December 31, 2002. The District anticipates to draw additional funds from this loan in the future until the design and engineering cost of Phase B of the sanitary sewer is completed.

**5. RETIREMENT SYSTEMS**

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2002, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2002.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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

**6. RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**7. LEGAL COMPLIANCE**

- Contrary to Ohio law, the District did not properly certify ninety two percent of District's disbursements.
- Contrary to Ohio law, members of the District Board and employees accepted gifts from a vendor that has an ongoing relationship with the District.
- Contrary to Ohio law, appropriations reported in the Districts monthly to actual financial reports did not reconcile to the Board approved appropriations submitted to the County Auditor.
- Contrary to Ohio law, the District did not maintain an accounting system that included budgetary information in its revenue and disbursement ledger.

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**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	<u>Disbursements</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Directly from U.S. Department of Agriculture</i>		
Water and Wastewater Disposal	10.760	<u><u>\$868,758</u></u>

*The accompanying notes are an integral part of this schedule.*

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award program. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

The Water and Waste Disposal Federal program require that the District contribute non-Federal funds (matching funds) to support the Federally-funded program. Ayersville Water and Sewer District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

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

Ayersville Water and Sewer District  
Defiance County  
13961 Fruit Ridge Road  
Defiance, OH 43512-6985

To the Board of Trustees:

We have audited the accompanying financial statements of the Ayersville Water and Sewer District, Defiance County, (the District) as of and for the year ended December 31, 2002, and have issued our report thereon dated July 30, 2003. 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 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 30, 2003.

**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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-005. We also 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 July 30, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

July 30, 2003



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ayersville Water and Sewer District  
Defiance County  
13961 Fruit Ridge Road  
Defiance, OH 43512-6985

To the Board of Trustees

#### Compliance

We have audited the compliance of the Ayersville Water and Sewer District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

#### Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, 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

July 30, 2003

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Water and Waste Water Disposal for Rural Communities CFDA #10.760
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

**FINDING NUMBER 2002-001  
(Continued)**

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificates: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 (\$3,000 after April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Because the District did not encumber amounts to blanket purchase orders and super blanket purchase orders issued until the date the purchase orders were closed, ninety two percent of the disbursements tested during the audit period were not properly certified. We recommend the District institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a "Then and Now" Certificate.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Revised Code § 102.03 (D) states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. In addition, Division (E) states that no public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

As is further explained in Ohio Ethics Commission Advisory Opinion No. 93-006, since a governing body and its employees are charged with the authority to disburse public funds and to enter into contracts with private businesses, they are subject to the prohibitions of Divisions (D) and (E) of § 102.03. Division (D) of § 102.03 prohibits the members and employees of the District from using their positions at the District to acquire gifts from a business that currently has an ongoing relationship with the District, since the gift could impair the objectivity and independence of judgment of the board of trustees members and its employees. Furthermore, Division (E) of § 102.03 prohibits a member or employee of the District from accepting, for the duration of their present term or employment, a gift from a company that currently has or intends to enter into a business relationship with the District while they are a member or employee thereof.

In 2002, the Poggemeyer Design Inc, which has contracted with the Ayersville Water and Sewer District to perform engineering services, provided embroidered, lightweight jackets free of charge to the following District personnel and officials: Tim Phillips, District Manager, Pat Siebeneck, Clerk, and Board of Trustees members John Miller, Steve Corbitt, Linda Miller, Chris Kissner, and John Schelling.

**FINDING NUMBER 2002-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.40 provides that appropriations measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The legally adopted appropriations varied with the appropriation modifications posted by the Clerk in the following amounts in the following funds:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Variance</u>
Water Fund	\$418,688	\$334,800	\$83,888
Sewer Fund	125,106	63,790	61,316
Capital Projects 1-1999 Sewer Fund	527,014	90,913	436,101
Capital Projects 2-1999 Sewer Fund	8,322	6,576	1,746
Capital Projects 3-1999 Sewer Fund	119,517		119,517
Capital Projects 1-2002 Sewer Fund	359,700	269,775	89,925
Security Deposits Fund	11,555		11,555
Capital Project Sewer Phase A Fund	2,618,605		2,618,605

We recommend that the Clerk only post appropriation measures that have been formally adopted by the Trustees in minute records.

**FINDING NUMBER 2002-004**

**Noncompliance Citation**

Ohio Administrative Code § 117-2-02 requires all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal contractual requirements and prepare financial statements. To comply with this section, public offices should use purchase orders to approve purchase commitments and to encumber funds against the applicable appropriations account as required by 5705.41(D). The public office should also integrate the budgetary accounts into the financial accounting system by designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District did not include budgetary information in its revenue ledger and disbursement ledger. This could result in deficit spending since the District does not have a record of the uncommitted balances of appropriations. To improve controls over disbursements, we recommend the District include the budgetary information in the District revenue ledger and disbursement ledger.

**FINDING NUMBER 2002-005**

**Reportable Condition - Budgetary Financial Statements Amendments:**

The Clerk did not input revisions (increases/decreases) to the District's revenue ledger that would coincide with the Board approved amended certificate of estimated resource amounts that were submitted to the County Auditor. Consequently, total estimated revenues per fund as presented on the District's budgetary financial statements did not equal the estimated revenue amounts as approved by Board resolutions. We recommend the Clerk reconcile the revenue ledger with the approved amended certificate of estimated resources submitted to the County Auditor, and to input all Board approved budgetary revisions in the District revenue ledger.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-60120-001	Ohio Revised Code § 5705.41(D), failure to properly certify funds	No.	In 2003, the District will start to assign an amount on the District blanket and super blanket purchase orders at the time they are prepared. Reissued as finding number 2002-001
2001-60120-002	Ohio Administrative Code § 117-2-02, failure to encumber obligations and budgetary information not included on revenue and disbursement ledgers.	No.	In 2003, the District will start to maintain their accounting records on the Auditor of State's Uniform Accounting Network. Reissued as finding number 2002-004





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**AYERSVILLE WATER AND SEWER DISTRICT**

**DEFIANCE 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  
SEPTEMBER 4, 2003**