



**Auditor of State  
Betty Montgomery**



**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Funds – For the Years Ended December 31, 2003 and 2002.....	3
Notes to the Financial Statement.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	13

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Switzerland of Ohio Water District  
Monroe County  
51746 Main Street  
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited the accompanying financial statement of the Switzerland of Ohio Water District, Monroe County, Ohio (the Water District), as of and for the years ended December 31, 2003 and 2002. This financial statement is the responsibility of the Water District's management. Our responsibility is to express an opinion on this financial statement 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 Water District prepares its financial statement 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 statement referred to above presents fairly, in all material respects, the combined fund cash balances of the Switzerland of Ohio Water District, Monroe County, as of December 31, 2003 and 2002, 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 June 2, 2004 on our consideration of the Water 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 2, 2004

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES -  
ENTERPRISE FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$395,405	\$383,055
Miscellaneous	12,168	39,288
Total Operating Cash Receipts	407,573	422,343
<b>Operating Cash Disbursements:</b>		
Personal Services	91,541	91,206
Utilities	9,151	8,931
Repairs and Maintenance	31,618	59,965
Contract Payments	149,053	146,742
Capital Outlay	24,736	36,882
Office Supplies	15,091	5,652
Insurance	9,994	5,896
Total Operating Cash Disbursements	331,184	355,274
Operating Income	76,389	67,069
<b>Non-Operating Cash Receipts:</b>		
Interest	1,034	1,652
Total Non-Operating Cash Receipts	1,034	1,652
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	65,400	66,665
Other Non-Operating Cash Disbursements	7,465	43,480
Total Non-Operating Cash Disbursements	72,865	110,145
Net Cash Receipts Over/(Under) Cash Disbursements	4,558	(41,424)
Fund Cash Balances, January 1	189,065	230,489
<b>Fund Cash Balances, December 31</b>	<b>\$193,623</b>	<b>\$189,065</b>

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

**This page intentionally left blank.**

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Switzerland of Ohio Water District, Monroe County (the Water 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 Water District was established as a separate political subdivision of the State of Ohio under provision of Chapter 6119 of the Ohio Revised Code. The Water District is directed by an appointed five-member Board of Trustees. The Board members were appointed by the Monroe County Common Pleas Court Judge. The Water District provides water services to residents of the Water District.

The Water District's management believes this financial statement presents all activities for which the Water District is financially accountable.

**B. Basis of Accounting**

This financial statement follows 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.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Fund Accounting**

The Water District uses fund accounting to segregate cash that is 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 Water District had the following significant Enterprise Funds:

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

*First Investment Fund* - This fund receives a portion of charges for services to fund future expansion projects and retire outstanding debt issues.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function 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.

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**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 Water District to reserve (encumber) appropriations when commitments are made. The Water District did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**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 statement.

**F. 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 Water District's basis of accounting.

**2. EQUITY IN POOLED CASH**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$193,623</u>	<u>\$189,065</u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Water District.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002, follows:

Budgeted vs. Actual Receipts		
	<u>2003</u>	<u>2002</u>
Budgeted Receipts	<u>\$422,700</u>	<u>\$395,200</u>
Actual Receipts	<u>408,607</u>	<u>423,995</u>
Variance	<u>(\$14,093)</u>	<u>\$28,795</u>

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Budgeted vs. Actual Budgetary Basis Expenditures		
	2003	2002
Appropriation Authority	\$425,965	\$419,250
Budgetary Expenditures	404,049	465,419
Variance	\$21,916	(\$46,169)

Contrary to Ohio law, budgetary expenditures exceeded the Water District's appropriation authority in various function accounts in the Operation and Maintenance and First Investment Funds at December 31, 2003 and December 31, 2002.

**4. DEBT**

Debt outstanding at December 31, 2003, was as follows:

	Principal	Interest Rate
Farmers Home Administration Loan #1	\$195,000	5.00%
Farmers Home Administration Loan #2	405,300	5.00%
Total	\$600,300	

The Water District borrowed funds from the Farmers Home Administration (FHA) in January 1973 and March 1989 for the original water system and waterline expansion, respectively. These loans are collateralized solely by the future revenues from the Water District's operations.

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

Year Ending December 31:	FHA Loan #1	FHA Loan #2
2004	\$39,750	\$29,365
2005	38,250	29,410
2006	36,750	29,430
2007	35,250	29,425
2008	38,750	29,395
2009 - 2013	42,000	146,965
2014 - 2018		146,710
2019 - 2023		146,775
2024 - 2027		117,205
Total	\$230,750	\$704,680

**5. RETIREMENT SYSTEMS**

The Water 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 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Water District contributed an amount equal to 13.55% of participants' gross salaries. The Water District has paid all contributions required through December 31, 2003.

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Water District has obtained commercial insurance for the following risks:

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

The Water District also provides health insurance coverage for full-time employees through a private carrier.



**Auditor of State  
Betty Montgomery**

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

Switzerland of Ohio Water District  
Monroe County  
51746 Main Street  
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited the accompanying financial statement of the Switzerland of Ohio Water District, Monroe County, Ohio (the Water District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 2, 2004. 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 Water District's financial statement is 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 2003-001 and 2003-002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement 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.

Switzerland of Ohio Water District  
Monroe County  
Independent Accountants' Report 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 2, 2004

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Expenditures exceeded budgeted amounts within the Operation and Maintenance Fund in the following function accounts and by the following amounts:

As of December 31, 2003:

Function Account	Appropriations	Expenditures	Variance
Insurance	\$8,000	\$9,994	(\$1,994)
Office Supplies	\$7,500	\$15,091	(\$7,591)
Utilities	\$9,000	\$9,151	(\$151)
Capital Outlay	\$10,000	\$24,736	(\$14,736)

As of December 31, 2002:

Function Account	Appropriations	Expenditures	Variance
Personal Services	\$90,000	\$91,206	(\$1,206)
Repairs and Maintenance	\$40,000	\$59,965	(\$19,965)
Capital Outlay	\$30,000	\$36,882	(\$6,882)
Other Non-Operating	\$12,000	\$43,480	(\$31,480)

Expenditures exceeded budgeted amounts within the First Investment Fund in the following function accounts and by the following amounts:

As of December 31, 2003:

Function Account	Appropriations	Expenditures	Variance
Debt Service	\$64,965	\$65,400	(\$435)

As of December 31, 2002:

Function Account	Appropriations	Expenditures	Variance
Debt Service	\$66,250	\$66,665	(\$415)

We recommend the Office Manager not certify the availability of funds or approve payment requests exceeding appropriations. The Office Manager may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Rev. Code Section 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. Every such 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 two "exceptions" to the above requirements:

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2003-002  
(Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.41(D) (Continued)**

Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the order or contract was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of 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.

Amounts of less than \$1,000 (which was increased to \$3,000 on 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.

While the Board of Trustees approved payments prior to releasing checks, the Office Manager did not certify these commitments when they were incurred. This certification helps assure sufficient appropriations and resources are available when the commitment is made and reduces the likelihood of incurring commitments the Water District will not be able to meet.

We recommend the Water District obtain the prior certification of availability of funds for all expenditures.

**SWITZERLAND OF OHIO WATER DISTRICT  
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 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>
2001-001	Ohio Rev. Code 5705.41(B) for actual expenditures exceeding budget appropriations.	No	Not Corrected; repeated as Finding Number 2003-001.
2001-002	Ohio Rev. Code Section 5705.41(D) for no prior certification of availability of funds prior to incurring obligations.	No	Not Corrected; repeated as Finding Number 2003-002.





**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

**SWITZERLAND OF OHIO WATER DISTRICT**

**MONROE 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  
AUGUST 5, 2004**