



Dave Yost · Auditor of State



**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) – General Fund - For the Year Ended December 31, 2014.....	3
Notes to the Financial Statement.....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	9

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Toledo Area Sanitary District  
Lucas County  
5015 Stickney Avenue  
Toledo, Ohio 43612-3718

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of Toledo Area Sanitary District, Lucas County, Ohio (the District) as of and for the year ended December 31, 2014.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (GAAP)***

As described in Note 1 of the financial statement, the District prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

Toledo Area Sanitary District  
Lucas County  
Independent Auditor's Report  
Page 2

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume them to be material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash balance of Toledo Area Sanitary District, Lucas County as of December 31, 2014, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 30, 2015

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>General Fund</u></b>
<b>Cash Receipts:</b>	
Maintenance Assessments	\$ 2,178,362
Interest Earned on Investments	592
Adjustments and Refunds	<u>33,015</u>
Total Cash Receipts	<u>2,211,969</u>
<b>Cash Disbursements:</b>	
Office and Administration	255,021
Salaries - Permanent	20,004
Salaries - Temporary	1,875
Equipment	21,904
Utilities and Communications	16,317
Professional Services	612,480
Pension and Employee Insurance	98,008
General Insurance	4,514
Travel and Conference	3,980
Supplies	1,332
Education	11,593
Real Estate Improvements, Maintenance and Rental	22,768
Assessment Roll and Taxes	<u>35,085</u>
Total Office and Administration	<u>1,104,881</u>
Field Program	757,794
Salaries - Permanent	18,494
Salaries - Temporary	1,004
New Vehicle & Power Equipment	14,515
Vehicle and Equipment Replacement	272,020
Larvicides and Insecticides	37,341
Fuel and Lubricants	12,731
Equipment Maintenance and Shop	7,992
Field Supplies and Hand Tools	241
Miscellaneous and Contingencies	<u>4,139</u>
Total Field Program	<u>1,126,271</u>
Total Cash Disbursements	<u>2,231,152</u>
Net Change in Fund Balance	(19,183)
Cash Balance, January 1	<u>613,055</u>
<b>Cash Balance, December 31</b>	<u>\$ 593,872</u>
Unassigned	

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

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**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

Toledo Area Sanitary District, Lucas 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 was established September 27, 1945, by the Common Pleas Court of Lucas County following a petition to the court for the establishment of the District for the abatement and control of mosquitoes. It became operational in 1946. Actual control operations began in 1947. In accordance with the statute, responsibility for policy determination for the District resides in the Director appointed by the judges of the Common Pleas Court. Although not provided for in statutes, a volunteer citizen's advisory committee has been appointed by the Director. The General Manager, who is appointed by the Director, administers the District's operations.

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

**B. Accounting Basis**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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 following type:

The General Fund is the general operating fund. It is used to report all financial resources.

**E. Budgetary Process**

The Ohio Revised Code requires the District to budget annually.

**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. The District Board must annually approve appropriation measures and subsequent amendments. The Common Pleas Judge must also approve the annual appropriations measure. Appropriations lapse at year end.

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

**Summary of Significant Accounting Policies (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 District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Commissioners can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Commissioners or a District official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

**2. Equity in Deposits**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2014
Total demand deposits	<u><u>\$593,872</u></u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the district.

**3. Budgetary Activity**

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	2014 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	<u><u>\$2,100,500</u></u>	<u><u>\$2,211,969</u></u>	<u><u>\$111,469</u></u>

**TOLEDO AREA SANITARY DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014**

2014 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,825,022	\$2,231,152	(\$593,870)

**4. Special Assessments**

The District receives special assessments. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**5. Retirement System**

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014, OPERS members contributed 10% of their gross salaries, and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**6. Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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



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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Toledo Area Sanitary District  
Lucas County  
5015 Stickney Avenue  
Toledo, Ohio 43612-3718

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of Toledo Area Sanitary District, Lucas County, Ohio, (the District) as of and for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated April 30, 2015 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and

Toledo Area Sanitary District  
Lucas County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 30, 2015



# Dave Yost • Auditor of State

## TOLEDO AREA SANITARY DISTRICT

LUCAS 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MAY 14, 2015