



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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 District), as of and for the years ended December 31, 2001 and 2000. This financial statement is the responsibility of the 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 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, 2001 and 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 June 14, 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 14, 2002

**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, 2001 AND 2000**

| | 2001 | 2000 |
|--|------------------|------------------|
| Operating Cash Receipts: | | |
| Charges for Services | \$372,272 | \$351,025 |
| Miscellaneous | 12,680 | 13,102 |
| | 384,952 | 364,127 |
| Operating Cash Disbursements: | | |
| Personal Services | 86,475 | 81,914 |
| Utilities | 8,108 | 7,662 |
| Repairs and Maintenance | 49,805 | 36,528 |
| Other Contractual Services | 139,866 | 125,755 |
| Office Supplies and Materials | 12,839 | 6,920 |
| Insurance | 8,416 | 5,620 |
| Capital Outlay | 395,317 | 32,029 |
| | 700,826 | 296,428 |
| Operating Income/(Loss) | (315,874) | 67,699 |
| Non-Operating Cash Receipts: | | |
| Intergovernmental Revenues | 316,130 | 18,811 |
| Other Non-Operating Revenues | 2,694 | 2,960 |
| | 318,824 | 21,771 |
| Non-Operating Cash Disbursements: | | |
| Debt Service | 67,910 | 69,135 |
| Other Non-Operating Cash Disbursements | 15,458 | 14,103 |
| | 83,368 | 83,238 |
| Net Receipts Over/(Under) Disbursements | (80,418) | 6,232 |
| Fund Cash Balances, January 1 | 310,907 | 304,675 |
| Fund Cash Balances, December 31 | \$230,489 | \$310,907 |

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

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**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Switzerland of Ohio Water District, Monroe 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 an appointed five-member Board of Trustees. The District provides water services to residents of the District.

The District's management believes this financial statement presents all activities for which the 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 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 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 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, 2001 AND 2000
(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 District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2001 and 2000 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 District's basis of accounting.

2. EQUITY IN POOLED CASH

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

| | 2001 | 2000 |
|-----------------|-----------|-----------|
| Demand deposits | \$230,489 | \$310,907 |
| Total deposits | \$230,489 | \$310,907 |

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 District.

3. BUDGETARY ACTIVITY

Budgetary activity for the Enterprise Funds for the years ending December 31, 2001 and 2000, follows:

| | 2001 | 2000 |
|-------------------|-----------|-----------|
| Budgeted Receipts | \$372,000 | \$366,500 |
| Actual Receipts | 703,776 | 385,898 |
| Variance | \$331,776 | \$19,398 |

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| | 2001 | 2000 |
|-------------------------|-------------|-----------|
| Appropriation Authority | \$445,515 | \$480,760 |
| Budgetary Expenditures | 784,194 | 379,666 |
| Variance | (\$338,679) | \$101,094 |

Contrary to Ohio law, budgetary expenditures exceeded the District's appropriation authority in the Operation and Maintenance Fund at December 31, 2001 and 2000.

4. DEBT

Debt outstanding at December 31, 2001, was as follows:

| | Principal | Interest Rate |
|-------------------------------------|-----------|---------------|
| Farmers Home Administration Loan #1 | \$245,000 | 5.00% |
| Farmers Home Administration Loan #2 | 422,300 | 5.00% |
| Total | \$667,300 | |

The District borrowed funds from the Farmers Home Administration 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 District's water operations.

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

| Year ending December 31: | FHA Loan #1 | FHA Loan #2 |
|--------------------------|-------------|-------------|
| 2002 | \$37,250 | \$29,415 |
| 2003 | 36,000 | 29,400 |
| 2004 | 39,750 | 29,365 |
| 2005 | 38,250 | 29,410 |
| 2006 | 36,750 | 29,430 |
| 2007 - 2011 | 116,000 | 147,060 |
| 2012 - 2016 | | 146,725 |
| 2017 - 2021 | | 146,800 |
| 2022 - 2026 | | 146,595 |
| 2027 | | 29,295 |
| Total | \$304,000 | \$763,495 |

5. RETIREMENT SYSTEMS

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.

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

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

5. RETIREMENT SYSTEMS (Continued)

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 MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance to its full-time employees through a private carrier.

7. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



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**REPORT OF INDEPENDENT ACCOUNTANTS 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 District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 14, 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 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 2001-61056-001 and 2001-61056-002.

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 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted 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 June 14, 2002.

Switzerland of Ohio Water District
Monroe 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", written in a cursive style.

Jim Petro
Auditor of State

June 14, 2002

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE 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 2001-61056-001

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.

For the Operation and Maintenance Fund the following functions reflected annual expenditures in excess of the budgeted amounts as adopted by the Board of Trustees by the following amounts:

| Function | December 31, 2001 | December 31, 2000 |
|--|--------------------------|--------------------------|
| Personal Services | \$739 | |
| Insurance | \$1,416 | |
| Other Contractual Services | \$2,935 | \$11,755 |
| Office Supplies and Materials | \$2,839 | |
| Utilities | | \$662 |
| Other Non-Operating Cash Disbursements | \$8,452 | \$4,373 |
| Repairs and Maintenance | \$17,804 | \$10,241 |
| Capital Outlay | \$325,014 | |

The above noted instance within the Capital Outlay function is the result of the District not recording or budgeting funds received/expended from the Ohio Public Works Commission (OPWC) and the Appalachian Regional Commission (ARC). The audited financial statements were adjusted to reflect the OPWC and ARC receipts and expenditures.

We recommend the District record OPWC and ARC monies expended on their behalf to their ledgers as a receipt and expenditure and obtain an amended certificate and pass supplemental appropriations for the same. The District should refer to Auditor of State Bulletin 2002-04 and Auditor of State Bulletin 2000-08 for additional guidance in accounting for on-behalf-of grants with the County or State.

We also recommend the District monitor all account expenditures to ensure they remain within their respective budgeted amounts.

**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|--|

FINDING NUMBER 2001-61056-002

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.

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

- A. 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.

- B. Amounts of less than \$1,000 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.

The District did not certify any of their expenditures as to the availability of funds prior to incurring the obligation.

We recommend the District's Office Manager certify the availability of funds and encumber them prior to the date of the invoice.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JULY 16, 2002**