



**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Tuppers Plains Regional Sewer District
Meigs County
P.O. Box 175, 49460 State Route 681 West
Tuppers Plains, Ohio 45783

To the Board of Trustees:

We have audited the accompanying financial statement of Tuppers Plains Regional Sewer District, Meigs 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 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 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 Tuppers Plains Regional Sewer District, Meigs 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 January 22, 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.

Jim Petro
Auditor of State

January 22, 2002

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS 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	\$151,747	\$97,423
Miscellaneous		68
Total Operating Cash Receipts	151,747	97,491
Operating Cash Disbursements:		
Personal Services		
Utilities	8,271	7,818
Repairs and Maintenance	8,225	6,220
Testing and Licences	37	25
Other Contractual Services	19,707	18,296
Office Supplies and Materials	1,649	2,778
Insurance	1,904	2,769
Capital Outlay		7,147
Total Operating Cash Disbursements	39,793	45,053
Operating Income/(Loss)	111,954	52,438
Non-Operating Cash Receipts:		
Miscellaneous	6,209	1,465
Sale of Fixed Assets	1,800	
Total Non-Operating Cash Receipts	8,009	1,465
Non-Operating Cash Disbursements:		
Debt Service	54,795	46,095
Other Non-Operating Cash Disbursements		9,948
Total Non-Operating Cash Disbursements	54,795	56,043
Net Receipts Over/(Under) Disbursements	65,168	(2,140)
Fund Cash Balances, January 1	54,319	56,459
Fund Cash Balances, December 31	\$119,487	\$54,319

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

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**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tupper Plains Regional Sewer District, Meigs 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 sewer 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Cash accounts and 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:

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

Bond Payment Fund - This fund receives charges for services from residents to accumulate resources for the payment of bond indebtedness.

Bond Reserve Fund - This fund receives charges for services from residents to accumulate the required minimum reserve related to bond indebtedness.

OPWC Fund - This fund receives charges for services from residents to accumulate resources for the payment of note indebtedness.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 type 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.

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 carried over, and need not be reappropriated. The District did not encumber all commitments required by Ohio law. The District did not have outstanding encumbrances at year end for neither 2001 nor 2000.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in Certificates of deposit. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$54,506	\$54,319
Certificates of deposit	64,981	0
Total deposits	119,487	54,319

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.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

3. BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts		
	2001	2000
Budgeted Receipts	\$86,639	\$86,675
Actual Receipts	159,756	98,956
Variance	\$73,117	\$12,281

Budgeted vs. Actual Budgetary Basis Expenditures		
	2001	2000
Appropriation Authority	\$79,716	\$76,823
Budgetary Expenditures	94,588	101,096
Variance	(\$14,872)	(\$24,273)

Budgetary expenditures exceeded the District's appropriation authority by \$14,872 and \$24,273 for the years ended December 31, 2001 and 2000, respectively, contrary to Ohio Law.

4. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Rural Development Water Resource Revenue Bonds	\$832,300	4.50%
Ohio Public Works Commission Note	144,375	0%
Total	\$976,675	

The Rural Development Water Resource Revenue Bonds were issued on November 16, 1998. The bonds are secured solely by District revenue and is not a general obligation of the District or the County. The principal of the bonds are payable on November 1 of each year beginning November 1, 2001. Interest on the bonds billed to the District at the rate fo 4.5% per annum due on the first day of November of each year beginning November 1, 1999.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

5. DEBT (Continued)

The Ohio Public Works Commission note was entered into by the District in 1996. This unsecured note was non-interest bearing. The approved loan amount was \$165,000 and was fully drawn-down during 1999. Semiannual principal payments of \$4,125 are due on January 1 and July of each year.

As required by the Rural Development Water Resource revenue bond covenant, the District has established and funded a bond reserve fund. The balance in the fund at December 31, 2001 is \$46,666.

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

<u>Year ending December 31:</u>	<u>Water Resource Revenue Bonds</u>	<u>Ohio Public Works Commission Note</u>
2002	\$46,654	\$8,250
2003	46,540	8,250
2004	46,612	8,250
2005	46,662	8,250
2006	46,590	8,250
2007 - 2011	232,936	41,250
2012 - 2016	232,900	41,250
2017 - 2021	232,988	24,750
2022 - 2026	232,956	0
2027 - 2031	232,965	0
2032 - 2036	232,962	0
2037 - 2038	93,233	0
Total	<u>\$1,723,998</u>	<u>\$148,500</u>

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.



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

Tuppers Plains Regional Sewer District
Meigs County
P.O. Box 175, 49460 State Route 681 West
Tuppers Plains, Ohio 45783

To the Board of Trustees:

We have audited the accompanying financial statement of Tuppers Plains Regional Sewer District, Meigs County, Ohio (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated January 22, 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 2001-30753-001 through 2001-30753-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 22, 2002.

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 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. 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 January 22, 2002.

Tuppers Plains Regional Sewer District
Meigs County
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.

Jim Petro
Auditor of State

January 22, 2002

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30753-001

Noncompliance Citation

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriations measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is prepared based upon the actual year end balances, it may pass a temporary appropriation measure for meeting ordinary expenses until April 1.

Also, Auditor of State Bulletin 97-010, states that governing body should adopt their legal level of control and approve their appropriation measure at that level. The "legal level of control" is the lowest level at which a government's management may *not* reassign resources without legislative approval. The Bulletin does permit the legal level of control to be established at the fund level but does suggest the governing board establish a lower level such as fund/function.

The District approved a yearly budget, at the fund type level, for 2000 and 2001, which contained estimated expenditures. The expenditure information within the budgets were utilized as the District's appropriations for 2000 and 2001. The District did not approve a formalized appropriation measure. This could have resulted in deficit fund balances.

We recommend the District, in addition to their annual budget, complete and adopt an annual appropriation measure at the individual fund level or lower, on or about the first day of each fiscal year or adopt a temporary appropriation measure until April 1, before the expenditure of any money.

FINDING NUMBER 2001-30753-002

Noncompliance Citation

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

Therefore, actual disbursements, plus outstanding encumbrances cannot exceed appropriations at the District's legal level of control. The legal level of control is defined as the level at which the permanent appropriation measure was passed.

The District passed an annual budget which included estimated receipt and expenditures. The estimated expenditures within the budget were utilized as the District's permanent appropriations which was at the Combined Enterprise Fund level.

Actual disbursements exceeded appropriations, for the year ended December 31, 2001 and 2000 at the enterprise fund type level in the amount of \$24,273 and \$14,872, respectively. This could result in the District overspending available fund balances.

We recommend the District review budgetary information on a regular basis to ensure disbursements have not exceeded appropriations and seek amendments as needed. Also, we recommend the District establish their legal level of control at the fund level or lower.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS 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)
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FINDING NUMBER 2001-30753-003

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 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 provides two "exceptions" to the above requirement:

- A. "Then and Now" Certificate - 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 \$100 for counties, or less than \$1,000 for other political subdivisions, 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.

Funds were not encumbered prior to a purchase commitment being made and no "Then and Now" Certificate was obtained for 75% of the disbursements tested in 2001 and 80% of the disbursements tested in 2000. Also, the District did not track encumbrances to assure that encumbrances would not exceed appropriations. Such practices could result in deficit spending.

We recommend the District not obligate funds unless there is a certificate of the fiscal officer stating 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. We also recommend the District track appropriations and the amount of those appropriations set aside within their encumbrances in order to avoid encumber more funds than are available. For more guidance on the above requirements refer to Auditor of State Audit Bulletin 97-010.



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TUPPERS PLAINS REGIONAL SEWER DISTRICT

MEIGS 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
FEBRUARY 21, 2002**