



Mary Taylor, CPA
Auditor of State

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Cover Letter | 1 |
| Independent Accountants' Report..... | 3 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 31, 2009 and 2008 | 5 |
| Notes to the Financial Statements | 7 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 11 |
| Schedule of Prior Audit Findings | 13 |

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Mary Taylor, CPA
Auditor of State

Dillonvale – Mt. Pleasant Wastewater Sewer District
Jefferson County
P.O. Box 686
Dillonvale, Ohio 43917

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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July 30, 2010

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Dillonvale – Mt. Pleasant Wastewater Sewer District
Jefferson County
P.O. Box 686
Dillonvale, Ohio 43917

To the Board of Trustees:

We have audited the accompanying financial statements of Dillonvale – Mt. Pleasant Wastewater Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Dillonvale – Mt. Pleasant Wastewater Sewer District, Jefferson County, as of December 31, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 30, 2010

**DILLONVALE MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008 and 2009**

| | 2009 | 2008 |
|--|-------------------------|-------------------------|
| Operating Cash Receipts: | | |
| Charges for Services | \$202,679 | \$206,364 |
| Miscellaneous | 60 | 15 |
| | <u>202,739</u> | <u>206,379</u> |
| Total Operating Cash Receipts | | |
| Operating Cash Disbursements: | | |
| Personal Services | 117,129 | 115,401 |
| Utilities | 19,686 | 18,963 |
| Repairs and Maintenance | 32,981 | 27,099 |
| Testing and Licenses | 1,977 | 3,095 |
| Other Contractual Services | | |
| Chemicals and Operating Supplies | 1,475 | 1,966 |
| Office Supplies and Materials | 4,361 | 3,345 |
| Insurance | 12,850 | 16,484 |
| | <u>190,459</u> | <u>186,353</u> |
| Total Operating Cash Disbursements | | |
| Operating Income/(Loss) | <u>12,280</u> | <u>20,026</u> |
| Non-Operating Cash Receipts: | | |
| Intergovernmental Revenues | 19,064 | 19,656 |
| Miscellaneous | 6,032 | 6,090 |
| | <u>25,096</u> | <u>25,746</u> |
| Total Non-Operating Cash Receipts | | |
| Non-Operating Cash Disbursements: | | |
| Debt Service | 52,925 | 103,642 |
| Other Non-Operating Cash Disbursements | 438 | 439 |
| | <u>53,363</u> | <u>104,081</u> |
| Total Non-Operating Cash Disbursements | | |
| Net Receipts Over/(Under) Disbursements | <u>(15,987)</u> | <u>(58,309)</u> |
| Cash Balances, January 1 | <u>136,259</u> | <u>194,568</u> |
| Cash Balances, December 31 | <u>\$120,272</u> | <u>\$136,259</u> |

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

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**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Dillonvale – Mt. Pleasant Wastewater Sewer District, Jefferson County, (the District) as a body corporate and politic. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are five Board members. Subdivisions within the District are the Village of Dillonvale, the Village of Mount Pleasant, Mount Pleasant Township, Smithfield Township, and Warren Township. The District provides sewer services to residents of the District.

The District participates in one public entity risk pool. Note 5 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) – this is a risk sharing pool available to public entities of Ohio. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values certificates of deposit at cost.

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

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

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount of deposits and investments at December 31 was as follows:

| | 2009 | 2008 |
|-------------------------|-----------------------|-----------------------|
| Demand deposits | <u>\$69,085</u> | <u>\$61,259</u> |
| Certificates of deposit | <u>51,187</u> | <u>75,000</u> |
| Total deposits | <u><u>120,272</u></u> | <u><u>136,259</u></u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

| Budget vs. Actual Receipts | | | |
|----------------------------|----------------------|--------------------|----------|
| Year | Budgeted Receipts | Actual Receipts | Variance |
| 2009 | \$206,800 | \$227,835 | \$21,035 |
| 2008 | \$225,200 | \$232,125 | \$6,925 |

| Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|----------------------------|---------------------------|----------|
| Year | Appropriation Authority | Budgetary Expenditures | Variance |
| 2009 | \$262,125 | \$243,822 | \$18,303 |
| 2008 | \$343,792 | \$290,434 | \$53,358 |

4. 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. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

5. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. RISK MANAGEMENT - (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available)

| | <u>2008</u> | <u>2007</u> |
|-------------|---------------------|---------------------|
| Assets | \$35,769,535 | \$37,560,071 |
| Liabilities | <u>(15,310,206)</u> | <u>(17,340,825)</u> |
| Net Assets | <u>\$20,459,329</u> | <u>\$20,219,246</u> |

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$8,716.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

| <u>Contributions to PEP</u> | |
|-----------------------------|---------|
| 2008 | \$8,698 |
| 2009 | \$8,986 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA

Auditor of State

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

Dillonvale – Mt. Pleasant Wastewater Sewer District
Jefferson County
P.O. Box 686
Dillonvale, Ohio 43917

To the Board of Trustees:

We have audited the financial statements of Dillonvale – Mt. Pleasant Wastewater Sewer District, (the District) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated July 30, 2010, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are 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, providing an opinion on compliance with those provisions was not an objective of our audit and 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 30, 2010.

We intend this report solely for the information and use of management, the Board of Trustees and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 30, 2010

**DILLONVALE – MT. PLEASANT WASTEWATER SEWER DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|--------------------------------------|-------------------------|--|
| 2007-001 | Ohio Revised Code Section 5705.41(B) | Yes | |



Mary Taylor, CPA
Auditor of State

DILLONVALE MT. PLEASANT WASTEWATER SEWER DISTRICT

JEFFERSON 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 24, 2010**