



**SWITZERLAND OF OHIO WATER DISTRICT
MONROE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SWITZERLAND OF OHIO WATER DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Switzerland of Ohio Water District
Monroe County
P.O. Box 26
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited the accompanying financial statement of Switzerland of Ohio Water District, Monroe County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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 Switzerland of Ohio Water District, Monroe County, as of December 31, 1999 and 1998, 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 May 9, 2000 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.

This report is intended solely for the information and use of 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.

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Jim Petro
Auditor of State

May 9, 2000

**SWITZERLAND OF OHIO WATER DISTRICT
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES - ENTERPRISE FUND TYPE -
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	1999	1998
Operating Cash Receipts:		
Charges for Services	\$343,229	\$308,949
Tap Fees	\$4,950	5,850
Rental Deposits	\$2,100	2,000
Interest	\$2,960	\$3,022
Miscellaneous	15,945	12,733
Total Operating Cash Receipts	369,184	332,554
Operating Cash Disbursements:		
Salaries	71,748	65,956
Employee Benefits	17,296	14,585
Supplies	9,012	6,781
Repair and Maintenance	19,443	26,756
Contracts	2,419	1,971
Utilities	7,073	6,530
Purchased Water	122,072	95,208
Deposit Refunds	1,420	1,500
Miscellaneous	5,244	7,134
Total Operating Cash Disbursements	255,727	226,421
Operating Income/(Loss)	113,457	106,133
Non-Operating Cash Disbursements:		
Debt Service		
Non-Operating Disbursements	5,837	
Principal Payment	32,200	26,800
Interest and Fiscal Charges	38,245	39,585
Total Non-Operating Cash Disbursements	76,282	66,385
Net Receipts Over/(Under) Disbursements	37,175	39,748
Cash Balances, January 1	267,752	228,004
Cash Balances, December 31	\$304,927	\$267,752

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

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**SWITZERLAND OF OHIO WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999 AND DECEMBER 31, 1998**

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 and an appointed Clerk. 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 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:

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

Reserve Fund - This fund receives a portion of charge for services to fund future expansion or capital projects.

D. Budgetary Process

The District's Board of Trustees currently do not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

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 statements.

**SWITZERLAND OF OHIO WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999 AND DECEMBER 31, 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. EQUITY IN POOLED CASH

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$304,927</u>	<u>\$267,752</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 District.

3. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Farmers Home Administration Loan #1	\$295,000	5%
Farmers Home Administration Loan #2	<u>437,700</u>	5%
Total	<u>\$732,700</u>	

The District borrowed money from the Farmers Home Administration in January 1973 and March 1989, for the original water system and waterline expansion, respectively. These loans are expected to be repaid solely by the future revenue from the District's water operations. Loan #1 will be repaid in 2010, and Loan #2 will be repaid in 2027.

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

Year ending <u>December 31:</u>	<u>FHA Loan #1</u>	<u>FHA Loan #2</u>
2000	\$39,750	\$29,385
2001	38,500	29,410
2002	37,250	29,415
2003	36,000	29,400
2004	39,750	29,365
Subsequent	<u>191,000</u>	<u>675,315</u>
Total	<u>\$382,250</u>	<u>\$822,290</u>

**SWITZERLAND OF OHIO WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999 AND DECEMBER 31, 1998
(Continued)**

4. RETIREMENT SYSTEMS

The District's full-time employees, as well as the Clerk and Trustees, 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 1999.

5. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

The District also provides health insurance to its officials through a private carrier.

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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
P.O. Box 26
Jerusalem, Ohio 43747

To the Board of Trustees:

We have audited the accompanying financial statement of Switzerland of Ohio Water District, Monroe County, Ohio, (the District) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 9, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 9, 2000.

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 May 9, 2000.

This report is intended for the information and use of 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". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 9, 2000



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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 6, 2000**