



**Auditor of State  
Betty Montgomery**



**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

Ridgeville Township Water and Sewer District  
Henry County  
20-524 U.S. Highway 6, P.O. Box C  
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the accompanying financial statements of the Ridgeville Township Water and Sewer District (the District) as of and for the years ended December 31, 2003 and 2002. 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 *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.

The District's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments

We believe that our audit provides a reasonable basis for our opinion.

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As discussed in Note 1, the District prepares its financial statements 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 statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District as of December 31, 2003 and 2002, 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 August 10, 2004 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 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.



**Betty Montgomery**  
Auditor of State

August 10, 2004

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 151,394	\$ 143,978
Miscellaneous	8,454	8,414
	159,848	152,392
<b>Operating Cash Disbursements:</b>		
Personal Services	16,786	9,201
Utilities	28,540	28,126
Repairs and Maintenance	10,015	9,738
Other Contractual Services	77,926	88,273
Chemicals and Operating Supplies	1,620	15,185
Office Supplies and Materials	1,605	2,926
Insurance	1,639	1,927
Capital Outlay	42,396	14,720
	180,527	170,096
Operating Loss	(20,679)	(17,704)
<b>Non-Operating Cash Receipts:</b>		
Local Taxes	1,190	21,248
Interest Income	16,151	22,014
	17,341	43,262
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	50,447	50,447
Other Non-Operating Cash Disbursements	21,060	8,845
	71,507	59,292
Net Cash Disbursements Over Cash Receipts	(74,845)	(33,734)
Cash Balances, January 1	613,044	646,778
Cash Balances, December 31	\$ 538,199	\$ 613,044
Reserve for Encumbrances, December 31	\$ 26,879	\$ 17,121

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ridgeville Township Water and Sewer District, Henry 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 a five-member Board of Trustees. All Board members are appointed by the Ridgeville Township trustees. Ridgeville Township is the only subdivision that comprises the District. The District provides sewer services to residents of the District.

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

**B. Basis of Accounting**

These financial statements follow 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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

services will be recovered through user charges. The District had the following significant Enterprise Funds:

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing access to this utility from the Village of Archbold.

Sewer Debt Retirement Fund - This fund receives special assessments to pay principal and interest on the Ohio Water Development Authority loan related to the construction of the Ridgeville Township Water and Sewer District wastewater treatment facilities.

**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 function or object 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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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 statements.

**2. EQUITY IN POOLED CASH**

The District invests in certificates of deposit.

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

	2003	2002
Demand deposits	\$ 124,989	\$ 210,737
Certificates of deposit	413,210	402,307
Total deposits	\$ 538,199	\$ 613,044

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

Budgeted vs. Actual Receipts		
Fund Type	2003	2002
Budgeted Receipts	\$ 202,900	\$ 244,655
Actual Receipts	177,189	195,654
Variance	\$ (25,711)	\$ (49,001)

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2003	2002
Appropriation Authority	\$ 245,329	\$ 253,970
Budgetary Expenditures	278,913	246,509
Variance	\$ (33,584)	\$ 7,461

In 2003, expenditures exceeded appropriations in the Sewer Operating Fund and Sewer Debt Retirement Fund by the amounts of \$13,476 and \$24,608, respectfully.

**4. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
OWDA Loan	\$ 23,252	8.48%

The Ohio Water Development Authority (OWDA) loan relates to the construction of the Ridgeville Township Water and Sewer District wastewater treatment facilities.

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

	OWDA Loan
Year ending December 31:	
2004	\$ 24,879

**5. RETIREMENT SYSTEMS**

The District's full-time employee belongs to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Contractors equipment; and
- General Floater.

The District is uninsured for the following risks:

- Public Officials liability.

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**Auditor of State  
Betty Montgomery**

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

Ridgeville Township Water and Sewer District  
Henry County  
20-524 U.S. Highway 6, P.O. Box C  
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the accompanying financial statements of the Ridgeville Township Water and Sewer District (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 10, 2004 wherein we noted that the District's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the District because the Auditor of State has designed, developed, implemented, and, as requested, operates UAN. 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 statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated August 10, 2004.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 the District's management in a separate letter dated August 10, 2004.

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.



**Betty Montgomery**  
Auditor of State

August 10, 2004



**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citations**

Ohio Revised Code § 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above: including: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that 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 district can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from receipt of the “then and now” certificate to approve payment by ordinance or resolution.
  
2. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 District.

Fiscal officers may prepare so-called “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of blanket certificates and the requirement that blanket certificates not extend beyond three months have been removed from the law. Effective September 26, 2003, blanket certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not certify the availability of funds at the time the purchase commitment was made for 53 percent of expenditures in 2003 and 43 percent of expenditures tested in 2002. Failure to certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification prior to the District incurring a commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2003-002**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Our testing of budgetary compliance at December 31, 2003 and 2002 identified the following instances in which expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2002			
Water Fund	\$ -	\$ 4,500	\$ (4,500)
2003			
Sewer Debt Fund	\$ 50,718	\$ 75,326	\$ (24,608)
Sewer Operating Fund	190,111	203,587	(13,476)

Failure to have adequate appropriations in place at the time expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds for obligation requests that will cause expenditures to exceed appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40135-001	Appropriation measures were not passed	Yes	
2001-40135-002	Expenditures exceeded appropriations because no appropriations measures were passed	No	Partially corrected. Re-issued as Finding 2003-002.
2001-40135-003	Failure to properly certify the availability of funds prior to the expenditures being incurred	No	Partially corrected. Re-issued as Finding 2003-001
2001-40135-004	District's insurance policy did not include the OWDA as an additional insured	Yes	



**Auditor of State  
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**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT**

**HENRY 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  
SEPTEMBER 7, 2004**