



**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2005**



**Auditor of State  
Betty Montgomery**



**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Ayersville Water and Sewer District  
Defiance County  
13961 Fruit Ridge Road  
Defiance, Ohio 43512-6985

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Ayersville Water and Sewer District, Defiance County, Ohio (the District), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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. The District processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Ayersville Water and Sewer District, Defiance County, Ohio, as of December 31, 2005, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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For the year ended December 31, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

June 14, 2006

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

This discussion and analysis of the Ayersville Water & Sewer District's (the District's) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- The District's receipts are primarily water and sewer charges for services. These receipts represent respectively 49 and 31 percent of the total cash received for the District activities during the year.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Reporting the Government as a Whole**

This annual report includes all activities to which the District is fiscally responsible. These activities, defined as the District's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Ayersville Water and Sewer District.

The statement of net assets and the statement of activities reflect how the District did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the business-type activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each business-type activity. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each business-type activity draws from the the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors such as the extent of the District's debt obligations the condition of the District's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as special assessments.

In the statement of net assets and the statement of activities, the District presents only business-type activity. The District has four business-type activities, the provision of water, sewer, deposits, and sewer capital projects. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting Government's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the District are presented in one proprietary category.

Proprietary Funds – When the District charges customers for the services it provides, these services are reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. Ayersville Water & Sewer District has five enterprise funds, water, sewer, deposit, and two capital project funds.



**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Ayersville Water & Sewer District as a Whole**

Table 1 provides a summary of the District's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)  
**Net Assets**

	Business-Type Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equiva	\$229,362	\$365,252
Total Assets	229,362	365,252
 <b>Net Assets</b>		
Unrestricted	229,362	362,252
Total Net Assets	\$229,362	\$362,252

Net assets of Business-type activities decreased \$135,890 during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Return of special assessments previously collected;
- Sewer charges were reduced \$5 per month.

Table 2 reflects the changes in net assets in 2005. Since the District did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

(Table 2)  
**Changes in Net Assets**

	Business Type Activities <u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$672,169
Total Program Receipts	<u>672,169</u>
General Receipts:	
Interest	4,301
Miscellaneous	5,102
Total General Receipts	<u>9,403</u>
Total Receipts	<u>681,572</u>
Disbursements:	
Personal Services	93,530
Employee Fringe Benefits	23,236
Contractual Services	354,798
Supplies and Materials	24,177
Other	1,832
Redemption of Principal	91,419
Interest and Fiscal Charges	101,586
Total Disbursements	<u>690,578</u>
Deficiency Before Special Item	(9,006)
Special Item	<u>(126,884)</u>
Decrease in Net Assets	(135,890)
Net Assets, January 1, 2005	<u>365,252</u>
Net Assets, December 31, 2005	<u><u>\$229,362</u></u>

Program receipts represent 98 percent of total receipts and are primarily comprised of water and sewer receipts consisting of charges for services.

General receipts represent only 2 percent of the District's total receipts, and of this amount, 55 percent are miscellaneous while the other 45 percent are interest earnings. General receipts are very insignificant to the District and somewhat unpredictable revenue sources.

Disbursements for business-type activities represent the costs of running the District. These include the costs of salaries, and benefits, as well as contractual services and materials and supplies. Contractual services include the cost of purchasing water and sewer services from the City of Defiance.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Business-type Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for business-type activities are for water and sewer operations. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Business-type Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
Water Operating	\$306,404	(\$26,962)
Sewer Operating	382,342	47,688
Enterprise Deposit Fund	1,832	(2,317)
Total Expenses	\$690,578	\$18,409

**The Government's Funds**

Total District funds had receipts of \$681,572 and disbursements of \$817,462. The Water Fund's fund balance increased \$31,866 during the year. The fund balance of the Sewer Fund decreased \$43,701 as the result of decreasing sewer rates by \$5 per billing cycle during the year.

**Capital Assets and Debt Administration**

**Capital Assets**

The District does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

**Debt**

At December 31, 2005, the District's outstanding debt included \$1,574,883 in United States Department of Agriculture rural development bonds issued for construction of phase A of the District's sanitary sewer project and \$787,880 in Ohio Water Development Authority (OWDA) loans for waterline extension projects, a water system construction project, the District office building project, equipment purchases, and engineering and technical services for the wastewater planning project. For further information regarding the District's debt, refer to Note 9 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The District is currently in the final planning stages for a Phase B Part 1 Sewer Project, the scope and cost of which has not yet been determined.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Contacting the Ayersville Water & Sewer District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Randy Bowen, Secretary/Treasurer, Ayersville Water & Sewer District, 13961 Fruit Ridge Rd, Defiance, OH 43512-6985.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2005*

	<u>Business - Type Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$229,362</u>
<i>Total Assets</i>	<u><u>\$229,362</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$229,362</u>
<i>Total Net Assets</i>	<u><u>\$229,362</u></u>

See accompanying notes to the financial statements

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Business-Type Activities
<b>Business Type Activities</b>			
Water	\$306,404	\$333,366	\$26,962
Sewer	382,342	334,654	(47,688)
Enterprise Deposits	1,832	4,149	2,317
Total	\$690,578	\$672,169	(18,409)
		<b>General Receipts</b>	
		Interest	4,301
		Miscellaneous	5,102
		<i>Total General Receipts</i>	9,403
Special Item - Refund of Special Assessments			(126,884)
		<i>Total General Receipts and Special Item</i>	(117,481)
		Change in Net Assets	(135,890)
		Net Assets Beginning of Year	365,252
		<i>Net Assets End of Year</i>	\$229,362

See accompanying notes to the financial statements

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

*Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
December 31, 2005*

	Business-Type Activities				Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Sewer Capital Projects 1/04 Fund	Other Enterprise Funds	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$157,745	\$56,350	\$13,161	\$2,106	\$229,362
<i>Total Assets</i>	<u>\$157,745</u>	<u>\$56,350</u>	<u>\$13,161</u>	<u>\$2,106</u>	<u>\$229,362</u>
<b>Net Assets</b>					
Unrestricted	<u>\$157,745</u>	<u>\$56,350</u>	<u>\$13,161</u>	<u>\$2,106</u>	<u>\$229,362</u>

See accompanying notes to the financial statements

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2005*

	Business-Type Activities				Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Sewer Capital Projects 1/04 Fund	Other Enterprise Fund	
<b>Operating Receipts</b>					
Charges for Services	\$333,366	\$208,708		\$4,149	\$546,223
Other Operating Receipts	1,469	3,633			5,102
<i>Total Operating Receipts</i>	<u>334,835</u>	<u>212,341</u>		<u>4,149</u>	<u>551,325</u>
<b>Operating Disbursements</b>					
Personal Services	52,168	41,362			93,530
Fringe Benefits	18,008	5,228			23,236
Contractual Services	175,900	178,898			354,798
Materials and Supplies	11,907	12,270			24,177
Other				1,832	1,832
<i>Total Operating Disbursements</i>	<u>257,983</u>	<u>237,758</u>		<u>1,832</u>	<u>497,573</u>
<i>Operating Income (Loss)</i>	76,852	(25,417)		2,317	53,752
<b>Non-Operating Receipts (Disbursements)</b>					
Interest	3,435	354		512	4,301
Special Assessments		125,946			125,946
Principal Payments	(25,204)	(66,215)			(91,419)
Interest and Fiscal Charges	(23,217)	(78,369)			(101,586)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(44,986)</u>	<u>(18,284)</u>		<u>512</u>	<u>(62,758)</u>
<b>Special Item</b>					
Refund of Special Assessments			(\$126,884)		(126,884)
<i>Change in Net Assets</i>	31,866	(43,701)	(126,884)	2,829	(135,890)
Net Assets Beginning of Year	125,879	100,051	140,045	(723)	365,252
<i>Net Assets End of Year</i>	<u>\$157,745</u>	<u>\$56,350</u>	<u>\$13,161</u>	<u>\$2,106</u>	<u>\$229,362</u>

See accompanying notes to the financial statements



**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 – REPORTING ENTITY**

The Ayersville Water & Sewer District, Defiance County, Ohio (the District) is a body 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 seven-member Board appointed by the Highland Township Board of Trustees for four year terms. The Board President is elected yearly by the other Board Members.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. The District provides water and sewer services to residents of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. Based on these criteria, the District has no component units.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Government-Wide Financial Statements

The statement of net assets presents the cash balance of the business-type activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's business-type activities. Disbursements are reported by activity. An activity is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the year, the District segregates transactions related to certain District activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The District classifies its funds into the Enterprise Fund type.

Proprietary Funds

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's major enterprise funds are the Water, Sewer, and Sewer Capital Projects 1/04 funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the District.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the District.

Sewer Capital Projects 1/04 Fund – This fund was established for the purpose of collecting the Phase B Capacity Charge.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the District Board may appropriate.

The appropriations resolution is the District Boards' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the District Board. The legal level of control has been established at the fund/function/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Secretary/Treasurer.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2005, the District invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

F. Inventory and Prepaid Items

The District reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There are no restricted net assets.

L. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. There are no reserved fund balances.

M. Special Items

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the District has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**NOTE 4 – COMPLIANCE**

Contrary to Ohio law, the District did not properly certify certain disbursements.

The District has a negative fund balance in the Sewer Capital Projects Fund No. 01-02 due to prior audit adjustments.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$46,360 of the District's bank balance of \$246,360 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**NOTE 6 – RISK MANAGEMENT**

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Wrongful acts.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees Retirement System***

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$12,394, \$13,812, and \$10,180 respectively; 82 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 – POSTEMPLOYMENT BENEFITS – (CONTINUED)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual District contributions for 2005 which were used to fund postemployment benefits were \$3,000. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**NOTE 9 – DEBT**

The District's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Reductions	Balance December 31, 2005	Due Within One Year
<u>Business-type Activities</u>					
USDA Rural Development Bonds	4.75%	\$1,637,283	\$62,400	\$1,574,883	\$65,400
Ohio Water Development Authority Loans	2-7%	<u>816,899</u>	<u>29,019</u>	<u>787,880</u>	<u>48,304</u>
Total Business-type Activities		<u>\$2,454,182</u>	<u>\$91,419</u>	<u>\$2,362,763</u>	<u>\$113,704</u>

The United States Department of Agricultural Rural Development bonds are related to the construction of phase A of the District's sanitary sewer project. Phase A of the sanitary sewer project was completed in 2002. The District started remitting payments for this loan on June 1, 2003.



**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 – DEBT – (CONTINUED)**

The Ohio Water Development Authority, (OWDA) loans relate to waterline extension projects, a water system construction project, the District office building project, equipment purchases, and engineering and technical services for the wastewater planning project.

The following is a summary of the Village's future annual debt service requirements:

Year	USDA Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2006	\$65,400	\$74,547	\$48,304	\$47,593
2007	68,500	71,402	51,057	44,840
2008	71,500	68,302	53,988	41,909
2009	75,200	64,674	57,108	38,789
2010	78,700	61,061	50,142	35,466
2011 – 2015	453,200	245,004	298,335	129,704
2016 – 2020	572,800	125,175	228,946	34,416
2020 – 2025	189,583	9,581		
Totals	<u>\$1,574,883</u>	<u>\$719,746</u>	<u>\$787,880</u>	<u>\$372,717</u>

In addition to the above debt, the District currently has two ongoing loans with the Ohio Water Development Authority.

The first loan is for costs relating to the design of Phase B of the District's Sanitary Sewer Project. The design cost related to this project was not completed at December 31, 2005, and therefore this loan has not been finalized at December 31, 2005. The balance on this loan was \$317,604 at December 31, 2005. The District anticipates drawing additional funds from this loan in the future if the design and engineering cost of Phase B of the sanitary sewer is completed.

The other loan is for costs relating to the design of Phase C of the District's Sanitary Sewer Project. The design cost related to this project was not completed at December 31, 2005, and therefore, this loan has not been finalized at December 31, 2005. The balance in this loan was \$23,841 at December 31, 2005. The District anticipates drawing additional funds from this loan in the future if the design and engineering cost of Phase C of the sanitary sewer is completed.

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## Auditor of State Betty Montgomery

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

Ayersville Water and Sewer District  
Defiance County  
13961 Fruit Ridge Road  
Defiance, Ohio 43512-6985

To the Board of Trustees:

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Ayersville Water and Sewer District, Defiance County, (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report dated June 14, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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*. We also noted the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District because the Auditor of State 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 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal

control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated June 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated June 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 14, 2006

**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying 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. Every such contract made without such a certificate shall void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 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 Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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 Board.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.
3. **Super Blanket Certificate** – The Board 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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Sixty five percent of the expenditures were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

**FINDING NUMBER 2005-001  
(Continued)**

To improve controls over disbursements, we recommend all District disbursements receive prior certification of the Secretary/Treasurer and the Board members periodically review the expenditures made to ensure they are within the appropriations adopted by the Board members, certified by the Secretary/Treasurer, and recorded against appropriations.

**Officials' Response**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2005-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 provides that all money paid into any fund shall be used only for the purpose for which such fund is established.

Furthermore, this code section requires that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In the prior audit, the Secretary-Treasurer recorded \$15,471 in debt proceeds from the Ohio Water Development Authority Phase C Sewer System Design Loan into the Sewer Capital Projects Fund 01-02. According to Board Resolution No. 0402-05, these proceeds should have been recorded in the Sewer Capital Projects Fund No. 04-01.

Also in the prior audit, the Secretary-Treasurer recorded \$2,310 in debt proceeds from the Ohio Water Development Authority Phase B Sewer Design Loan into the Sewer Capital Projects Fund No. 04-01. According to Board Resolution No. 0203-02, these loan proceeds should have been recorded in the Sewer Capital Projects Fund No. 01-02.

The financial statements were again adjusted to properly record the activity of the Ohio Water Development Loans according to the Board resolutions.

There continues to be a negative fund balance in the Sewer Capital Projects Fund No. 01-02 of \$13,161 at December 31, 2005 in the adjusted financial statements.

Allowing cash from another fund to pay the obligations of deficit funds and improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so that the Board of Trustees can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process District officials should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

**Officials' Response**

We did not receive a response from Officials to this finding.

### **FINDING NUMBER 2005-003**

#### **Reportable Condition - Monitoring Controls by Board of Trustees**

The small size of the District's fiscal operations does not allow for an adequate segregation of duties. The Clerk performs most accounting functions. It is therefore important that the Board of Trustees (the Trustees) monitor financial activity closely. The following deficiencies were noted in the monitoring of financial activity by the Trustees:

- There was no evidence that the Board of Trustees reviewed monthly detail revenue or disbursement ledgers.
- Minutes were not signed by the Board of Trustees after March 2005.
- Expenditures were not approved by the Board of Trustees.
- In addition, no evidence the Board of Trustees reviewed the utility billing or collection system.

These weaknesses could allow posting errors in receipts and disbursements to occur and go undetected. To improve controls over financial transactions and to prevent the possible loss of cash assets we recommend that the following monitoring controls be implemented:

Monthly bank reconciliations, monthly reconciliations of bank balances to the fund balances, monthly receipt and disbursement ledgers, and the prior meeting's minutes should be presented to the Trustees by the Secretary/Treasurer. Also, the Board should periodically perform a review over the utility billing amounts for reasonableness, a comparison of actual collections versus amounts expected, and review non-cash adjustments to customer accounts. The documents should be reviewed, initialed, and approved in the minutes by the Board of Trustees. This information provides important data necessary to manage the District. This information can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the District maximizing its return on invested cash balances?

#### **Officials' Response**

We did not receive a response from Officials to this finding.

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**AYERSVILLE WATER AND SEWER DISTRICT  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	<b>ORC § 5705.41(D)(1)</b> failure to properly certify funds	No	The finding has not been corrected and is repeated in this report as item 2005-001.
2004-002	<b>ORC § 5705.10</b> negative fund balances	No	The finding has not been corrected and is repeated in this report as item 2005-002.
2004-003	Budgetary financial statement amendments, ledgers did not agree with Board approved estimated resources	No	Improvement has been made reducing this to a management letter comment.





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**AYERSVILLE WATER AND SEWER DISTRICT**

**DEFIANCE 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 11, 2006**