



**Auditor of State
Betty Montgomery**

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Tuppers Plains Regional Sewer District
Meigs County
49460 State Route 681 West
P.O. Box 133
Tuppers Plains, Ohio 45783

To the Board of Trustees:

We have audited the accompanying financial statement of the Tuppers Plains Regional Sewer District, Meigs County, Ohio (the Sewer District), as of and for the years ended December 31, 2003 and 2002. This financial statement is the responsibility of the Sewer District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 Sewer 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 Tuppers Plains Regional Sewer District, Meigs County, 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 February 23, 2004 on our consideration of the Sewer 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.

Tuppers Plains Regional Sewer District
Meigs County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under Section 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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Betty Montgomery
Auditor of State

February 23, 2004

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

	2003	2002
Operating Cash Receipts:		
Charges for Services	\$112,220	\$126,567
Miscellaneous	833	414
Total Operating Cash Receipts	113,053	126,981
Operating Cash Disbursements:		
Personal Services		
Utilities	8,866	7,164
Repairs and Maintenance	7,520	20,189
Testing and Licenses	35	25
Other Contractual Services	20,834	26,980
Office Supplies and Materials	2,513	2,747
Insurance	5,317	3,413
Capital Outlay	816	
Total Operating Cash Disbursements	45,901	60,518
Operating Income/(Loss)	67,152	66,463
Non-Operating Cash Receipts:		
Intergovernmental Revenues	2,228	
Miscellaneous	3,843	4,273
Total Non-Operating Cash Receipts	6,071	4,273
Non-Operating Cash Disbursements:		
Debt Service	54,789	54,904
Other Non-Operating Cash Disbursements	40	
Total Non-Operating Cash Disbursements	54,829	54,904
Net Receipts Over/(Under) Disbursements	18,394	15,832
Cash Balances, January 1	135,319	119,487
Cash Balances, December 31	\$153,713	\$135,319

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

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**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tupperts Plains Regional Sewer District, Meigs County (the Sewer 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 Sewer District is directed by an appointed five-member Board of Trustees. The Sewer District provides sewer services to residents of the Sewer District.

The Sewer District's management believes this financial statement presents all activities for which the Library 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. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Sewer District uses fund accounting to segregate cash and investments that are restricted as to use. The Sewer 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 Sewer District has the following Enterprise Funds:

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

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

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

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

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the Sewer District to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, or function level of controls 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 of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Sewer District to reserve (encumber) appropriations when commitments are made. The Sewer District did not use the encumbrance method of accounting.

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Sewer District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 88,731	\$ 70,337
Certificates of deposit	64,982	64,982
Total deposits	<u>\$ 153,713</u>	<u>\$ 135,319</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Sewer District.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

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	\$ 116,960	\$ 97,041
Actual Receipts	119,124	131,254
Variance	\$ 2,164	\$ 34,213

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2003	2002
Appropriation Authority	\$ 116,960	\$ 97,041
Budgetary Expenditures	100,730	115,422
Variance	\$ 16,230	\$ (18,381)

Contrary to Ohio Law, budgetary expenditures exceeded appropriations in the Sewer Fund by \$18,718 for the year ended December 31, 2002.

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Rural Development Water Resource Revenue Bonds	\$ 813,600	4.50%
Ohio Public Works Commission Note	127,875	0%
Total	\$ 941,475	

The Rural Development Water Resource Revenue Bonds were issued on November 16, 1998. The bonds are secured solely by Sewer District revenue and are not a general obligation of the Sewer District or the County.

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

As required by the Rural Development Water Resource Revenue Bond covenant, the Sewer District has established and funded a bond reserve fund. The balance in the fund at December 31, 2003 is \$46,666.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

4. DEBT (Continued)

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

	Water Resource Revenue Bonds	Ohio Public Works Commission Note
Year ending December 31:		
2004	\$46,612	\$8,250
2005	46,662	8,250
2006	45,590	8,250
2007	46,599	8,250
2008	46,586	8,250
2009 – 2013	232,903	41,250
2014 – 2018	232,958	41,250
2019 – 2023	232,978	4,125
2024 – 2028	232,959	
2029 – 2033	233,032	
2034 – 2038	232,927	
Total	\$1,629,806	\$127,875

5. RISK MANAGEMENT

The Sewer District has obtained commercial insurance for the following risks:

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

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State
Betty Montgomery**

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

Tuppers Plains Regional Sewer District
Meigs County
49460 State Route 681 West
P.O. Box 133
Tuppers Plains, Ohio 45783

To the Board of Trustees:

We have audited the accompanying financial statement of the Tuppers Plains Regional Sewer District, Meigs County, Ohio (the Sewer District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 23, 2004. 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 Sewer District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated February 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sewer 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 Sewer District in a separate letter dated February 23, 2004.

Tuppers Plains Regional Sewer District
Meigs County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 23, 2004

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Noncompliance Citation

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

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

The Board of Sewer District Trustees passed an annual budget which included estimated expenditures. The estimated expenditures within the budget were utilized as the Sewer District's permanent appropriations.

Actual disbursements exceeded appropriations, for the year ended December 31, 2002, at the fund level in the amount of \$18,718 in the Sewer Fund. In addition, disbursements exceeded appropriations in various line items at the legal level of control. This could result in the Sewer District overspending available fund balances.

We recommend the Sewer District review budgetary information on a regular basis to ensure disbursements have not exceeded appropriations and seek amendments as needed.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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 appropriated fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

If the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the Sewer District Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Sewer District Board of Trustees, if such expenditure is otherwise valid.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (Cotinued)

The Sewer District did not encumber funds prior to expenditure. This could lead to obligations being entered into when there is not sufficient funds available to cover the transaction.

We recommend the Sewer District Secretary-Treasurer certify the availability of funds prior to ordering goods or services.

**TUPPERS PLAINS REGIONAL SEWER DISTRICT
MEIGS 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>
2001-01	Ohio Rev. Code Section 5705.38- A formalized appropriation measure was never adopted.	No	Partially Corrected; We have reported this matter to management of the Sewer District in a separate letter dated February 23, 2004.
2001-02	Ohio Rev. Code Section 5705.41(B)- Actual disbursements exceeded appropriations.	No	Not Corrected; Refer to Finding 2003-01
2001-03	Ohio Rev. Code Section 5705.41(D)- Funds were not encumbered prior to a purchase commitment being made.	No	Not Corrected; Refer to Finding 2003-02



**Auditor of State
Betty Montgomery**

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800-282-0370

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TUPPERS PLAINS REGIONAL SEWER DISTRICT

MEIGS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 20, 2004**