



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT  
LUCAS COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Sylvania Township Water and Sewer District  
Lucas County  
4927 Holland-Sylvania Road  
Sylvania, Ohio 43560-2121

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township Water and Sewer District (the District) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 fund cash balances of the District as of December 31, 2001 and 2000, and its 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 June 27, 2002 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 audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

**Jim Petro**  
Auditor of State

June 27, 2002

**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT  
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<b>2001</b>	<b>2000</b>
<b>Operating Cash Disbursements:</b>		
Personal services	\$7,200	\$3,600
Other contractual services	21,906	29,823
Capital outlay	82,700	843,605
Lucas County Sanitary Engineer	2,082	23,576
General operating expenses	238	1,725
Insurance	1,250	1,250
Total Operating Cash Disbursements	115,376	903,579
Operating Loss	(115,376)	(903,579)
<b>Non-Operating Cash Receipts:</b>		
Proceeds of Loan	120,000	916,397
Earnings on Investments	64	929
Total Non-Operating Cash Receipts	120,064	917,326
Net Receipts Over Disbursements	4,688	13,747
Fund Cash Balances, January 1	13,747	
<b>Fund Cash Balances, December 31</b>	<b>\$18,435</b>	<b>\$13,747</b>

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

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**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Sylvania Township Water and Sewer District (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 was created on March 2, 2000, by the Court of Common Pleas, Lucas County, to provide water and sewer services to the residents of Sylvania Township in accordance with the provisions of Ohio Revised Code Section 6119.01. A five (5) member appointed Board of Trustees manages the District. The Sylvania Township appoints four (4) Trustees and one by the Lucas County Commissioners.

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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**D. Fund Accounting**

The District uses fund accounting to segregate cash that is restricted as to use. The District has created a single type of fund and a single fund within that fund type. The District classifies its fund into the following type:

*Enterprise Fund* - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services to the general public on a continuing basis are financed or received primarily through user charges.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 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 statements.

**2. EQUITY IN POOLED CASH**

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

	2001	2000
Demand deposits	\$18,435	\$13,747

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise		\$120,064	\$120,064

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise		\$115,376	(\$115,376)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise		\$917,326	\$917,326

**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT  
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise		\$903,579	(\$903,579)

Contrary to Ohio law, the District did not follow the budgetary process.

**4. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Construction Loan	\$1,036,397	6%

The construction loan is through Sylvania Township with a maximum borrowing amount of \$1,500,000. It is the intent of the District to expand the sanitary sewer services within the Sylvania Township Water and Sewer District. Currently, the loan term and payment amounts have not been established; therefore, the future principal and interest payments have not been determined.

**5. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

**6. RELATED PARTY TRANSACTIONS**

The District is a related organization of Sylvania Township. The Township appoints four of the five Trustees that manage the District. During the audit period, the District received loan proceeds from the Township as its material source of revenue (See Note 4).

**7. SUBSEQUENT EVENT**

At June 27, 2002, the District has begun receiving tap-in fees from the constructed lines within the District. These fees will be used to pay off the debt the District owes to the Sylvania Township.

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

Sylvania Township Water and Sewer District  
Lucas County  
4927 Holland-Sylvania Road  
Sylvania, Ohio 43560-2121

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township Water and Sewer District (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 27, 2002. We conducted our audits 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 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 audits 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 2001-40148-001 through 2001-40148-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 27, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 27, 2002.

Sylvania Township Water and Sewer District  
Lucas County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

June 27, 2002

**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-40148-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.28 states on or before July 15, of each fiscal year, the taxing authority of each subdivision or other taxing unit is required to adopt an operating budget for the next succeeding fiscal year. In accordance with ORC § 5705.28 (B)(2)(a), (b), and (c), this document is not required to be filed with the county auditor.

A budget was not adopted for fiscal year 2001 nor 2000.

We recommend an operating budget be adopted before July 15 of each year.

**FINDING NUMBER 2001-40148-002**

Ohio Revised Code § 5705.36 states on or about the first day of each fiscal year, the fiscal officer of subdivisions and other taxing units are to certify the total amount from all sources which is available for expenditures from each fund in the along with any unencumbered balances that existed at the end of the preceding year. In accordance with ORC § 5705.28 (B)(2)(a), (b), and (c), this document is not required to be filed with the county auditor.

The Certification of available revenue was not performed for fiscal year 2001 nor 2000.

We recommend the Certification of available revenue be certified about the first day of each year.

**FINDING NUMBER 2001-40148-003**

Ohio Revised Code § 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be approved. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is performed showing actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. In accordance with ORC § 5705.28 (B)(2)(a), (b), and (c), this document is not required to be filed with the county auditor.

An appropriation measure was not adopted for fiscal year 2001 nor 2000.

We recommend the appropriation measure be passed about the first day of each year.

**FINDING NUMBER 2001-40148-004**

Ohio Revised Code § 5705.41(B) states no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated. In accordance with ORC § 5705.28 (B)(2)(a), (b), and (c), this document is not required to be filed with the county auditor.

**FINDING NUMBER 2001-40148-004  
(Continued)**

The District did not appropriate funds to expend for fiscal year 2001 nor 2000.

We recommend the appropriation measures be adopted and compared to the amended certificate of estimated resources and appropriate modifications be made.

**FINDING NUMBER 2001-40148-005**

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance.

This section also provides two exceptions to the above requirements:

- A. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the subdivision authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the subdivision authority, with the aforementioned then and now certificate.

Although all expenditures issued were approved by the Board prior to issuance, none of the District's transactions tested contained the required certification during fiscal year 2001 and 2000.

We recommend, where possible, the District certify the availability of funds prior to expenditures being made. Where prior certification is not feasible, we encourage the District to utilize then and now certificates.





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**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT**

**LUCAS 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 30, 2002**