



**Auditor of State
Betty Montgomery**

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ohio-Lee Township Water and Sewer Authority
Monroe County
P. O. Box 182
Hannibal, Ohio 43931

To the Board of Trustees:

We have audited the accompanying financial statement of the Ohio-Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2003 and 2002. This financial statement is the responsibility of the Authority'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 statement. 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 Authority's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Authority 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 Section 117.01 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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

As described in Note 1, the Authority 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 cash balance of the Ohio-Lee Township Water and Sewer Authority, Monroe County, as of December 31, 2003 and 2002, 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 February 10, 2004, on our consideration of the Authority'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.

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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 § 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 10, 2004

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

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

	2003	2002
Operating Cash Receipts:		
Charges for Services	\$132,986	\$136,754
Miscellaneous	1,135	3,398
	134,121	140,152
Operating Cash Disbursements:		
Personal Services	46,654	40,210
Employee Fringe Benefits	8,564	15,040
Contractual Services	27,905	18,389
Supplies and Materials	17,342	23,923
Other	1,047	22,212
Capital Outlay		14,519
	101,512	134,293
Operating Income/(Loss)	32,609	5,859
Non-Operating Cash Receipts:		
Proceeds from Sale of Public Debt:		
Sale of Notes	24,850	28,607
Other Non-Operating Receipts	12	
	24,862	28,607
Non-Operating Cash Disbursements:		
Debt Service	29,650	33,407
Other Non-Operating Cash Disbursements		20
	29,650	33,427
Net Receipts Over/(Under) Disbursements	27,821	1,039
Cash Balance, January 1	112,059	111,020
Cash Balance, December 31	\$139,880	\$112,059

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

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**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio-Lee Township Water and Sewer Authority, Monroe County (the Authority), 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 Authority is directed by a five-member Board of Trustees. Each Board member is appointed by the Monroe County Common Pleas Court Judge. The Authority provides water services to residents of Ohio and Lee Townships.

The Authority' management believes this financial statement presents all activities for which the Authority 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. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. 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 Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

D. Property, Plant and Equipment

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

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Demand deposits	\$139,880	\$112,059

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

3. BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts		
	2003	2002
Budgeted Receipts	\$135,000	\$135,000
Actual Receipts	158,983	168,759
Variance	\$23,983	\$33,759

Budgeted vs. Actual Budgetary Basis Expenditures		
	2003	2002
Appropriation Authority	\$242,649	\$141,485
Budgetary Expenditures	131,162	167,720
Variance	\$111,487	(\$26,235)

Contrary to Ohio law, budgetary expenditures exceeded the Authority's appropriation authority within various function accounts for the years ended December 31, 2003 and 2002.

4. DEBT

Debt outstanding at December 31, 2003, was as follows:

	Principal	Interest Rate
Note Debt	\$22,918	3.90%

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

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

4. DEBT (Continued)

The Authority has a one year note with Citizens National Bank that was originally obtained in 1992 in the amount of \$56,089 for the purpose of paying an old loan and to pay a consulting engineer. The Authority has been renewing this note on an annual basis. The note is collateralized solely by revenues from the Authority's water operation. This note has since been retired in full by the Authority on January 13, 2004.

5. RETIREMENT SYSTEMS

The Authority's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

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Auditor of State Betty Montgomery

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

Ohio-Lee Township Water and Sewer Authority
Monroe County
P. O. Box 182
Hannibal, Ohio 43931

To the Board of Trustees:

We have audited the financial statement of the Ohio-Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 10, 2004, wherein we noted the Authority's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Authority 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Authority in a separate letter dated February 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 Authority in a separate letter dated February 10, 2004.

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Ohio-Lee Township Water and Sewer Authority
Monroe County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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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.

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Betty Montgomery
Auditor of State

February 10, 2004

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

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

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Noncompliance Citation

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

Expenditures exceeded budgeted amounts in the following functions and by the following amounts:

As of December 31, 2003:

Function Account	Appropriations	Expenditures	Variance
Debt Service	\$5,200	\$29,650	(\$24,450)

As of December 31, 2002:

Function Account	Appropriations	Expenditures	Variance
Debt Service	\$4,800	\$33,407	(\$28,607)
Other Expenses	\$19,262	\$22,232	(\$2,970)

We recommend the Authority monitor all function account level expenditures to ensure they remain within their respective budgeted amounts. The above noted variances within the debt service accounts are the result of the Authority reflecting note debt rollover expenditures within the financial statements but not budgeting for this activity.

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE 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; Explain:
2001-61056-001	Ohio Rev. Code 5705.41(B) for actual expenditures exceeding budget appropriations.	No	Not Corrected; reissued as Finding Number 2003-001.
2001-61056-002	Ohio Rev. Code Section 5705.41(D) for no prior certification of expenditures.	No	Partially Corrected; the noncompliance citation is reissued in the management letter.



**Auditor of State
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OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 23, 2004**