



**Auditor of State
Betty Montgomery**

**TOLEDO AREA SANITARY DISTRICT
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

Toledo Area Sanitary District
Lucas County
5015 Stickney Avenue
Toledo, Ohio 43612-3718

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 13, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Toledo Area Sanitary District
Lucas County
5015 Stickney Avenue
Toledo, Ohio 43612-3718

To the Board of Directors:

We have audited the accompanying financial statements of the Toledo Area Sanitary District, Lucas County, (the District) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Toledo Area Sanitary District, Lucas County, as of December 31, 2004 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005, 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.



Betty Montgomery
Auditor of State

September 13, 2005

**TOLEDO AREA SANITARY DISTRICT
LUCAS COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund
Cash Receipts:	
Maintenance Assessments	\$ 2,327,090
Interest Earned on Investments	12,723
Sale of Equipment and Supplies	5,802
Sale of Scrap	47
Adjustments and Refunds	9,199
Total Operating Receipts	2,354,861
Cash Disbursements:	
Office and Administration	
Salaries - Permanent	233,760
Salaries - Temporary	17,026
Equipment	195
Utilities and Communications	23,145
Legal and Consultation	5,140
Pension and Employee Insurance	379,357
General Insurance	131,775
Travel and Conference	5,978
Supplies	4,741
Education	5,116
Real Estate Improvements, Maintenance, and Rental	6,643
Assessment Roll and Taxes	23,760
Worker's Compensation and Audit Fees	14,867
Total Office and Administration	851,503
Field Program	
Salaries - Permanent	760,989
Salaries - Temporary	76,892
Vehicle and Equipment Replacement	40,322
New Vehicle and Power Equipment	300
Larvicides and Insecticides	287,545
Fuel and Lubricants	28,898
Equipment Maintenance and Shop	17,579
Field Supplies and Hand Tools	8,119
Miscellaneous and Contingencies	495
Drainage Equipment Maintenance	17,768
Vehicle and Equipment Rental	1,859
Total Field Program	1,240,766
Total Operating Disbursements	2,092,269
Excess of Cash Disbursements Over Cash Receipts	262,592
Cash Balance, Beginning of Year	618,043
Cash Balance, End of Year	\$ 880,635

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

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**TOLEDO AREA SANITARY DISTRICT
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Toledo Area Sanitary District, Lucas County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District was established September 27, 1945, by the Common Pleas Court of Lucas County following a petition to the court for the establishment of the District for the abatement and control of mosquitoes. It became operational in 1946. Actual control operations began in 1947. In accordance with the statute, responsibility for policy determination for the District resides in the Director appointed by the judges of the Common Pleas Court. Although not provided for in statutes, a volunteer citizens advisory committee has been appointed by the Director. The General Manager, who is appointed by the Director, administers the District's operations.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of state prescribes or permits.

C. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use.

General Fund

The General Fund is the general operating fund. It is used to report all financial resources.

D. Budgetary Process

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

1. Appropriations

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

**TOLEDO AREA SANITARY DISTRICT
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CASH

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

	2004
Demand deposits	\$880,635

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,009,000	\$2,354,861	\$345,861

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,292,100	\$2,092,269	\$199,831

**TOLEDO AREA SANITARY DISTRICT
LUCAS COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

4. PROPERTY TAX AND SPECIAL ASSESSMENTS

Real property taxes and special assessments become a lien in January 1, preceding the October 1 date for which rates are adopted by the District. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Payments are due to the County by December 31. If the property owner elects to make semi-annual payment, the first half is due December 31. The second half is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

Currently, the District receives only special assessments. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes and assessments on behalf of the District.

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

7. CONTINGENT LIABILITIES

The District is defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes the resolution of these matters will not materially adversely affect the District's financial condition.

8. RELATED PARTY TRANSACTIONS

The Secretary-Treasurer is also the District's Solicitor. The District paid \$4,800 to the Secretary-Treasurer in fiscal year 2004 for solicitor fees.

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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***

Toledo Area Sanitary District
Lucas County
5015 Stickney Avenue
Toledo, Ohio 43612-3718

To the Board of Directors:

We have audited the financial statements of the Toledo Area Sanitary District, Lucas County, (the District) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 13, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated September 13, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Betty Montgomery
Auditor of State

September 13, 2005



**Auditor of State
Betty Montgomery**

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**TOLEDO AREA SANITARY 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
OCTOBER 11, 2005**