



**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances For the Years Ended December 31, 2004 and 2003	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Troy Township Waste Water District
Ashland County
P.O. Box 55
Nova, Ohio 44859

To the Board of Trustees:

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 District 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 29, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Troy Township Waste Water District
Ashland County
P.O. Box 55
Nova, Ohio 44859

To the Board of Trustees:

We have audited the accompanying financial statements of Troy Township Waste Water District, Ashland County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003. 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.

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 cash balances of Troy Township Waste Water District, Ashland County, Ohio, as of December 31, 2004 and 2003, and its 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 29, 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 29, 2005

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
Operating Cash Receipts:		
Tap-In Fees	\$28,114	\$29,745
Total Operating Cash Receipts	28,114	29,745
Operating Cash Disbursements:		
Personal Services	7,028	5,821
Testing and Licenses	20,150	4,750
Other Contractual Services	48,493	139,023
Office Supplies and Materials	3,491	2,652
Insurance	2,500	3,214
Capital Outlay	116,664	
Total Operating Cash Disbursements	198,326	155,460
Operating (Loss)	(170,212)	(125,715)
Non-Operating Cash Receipts:		
Intergovernmental Revenues	50,345	
Loan Proceeds	16,103	243,371
Other Non-Operating Revenues	10	136
Total Non-Operating Cash Receipts	66,458	243,507
Non-Operating Cash Disbursements:		
Debt Service	4,000	
Net Receipts (Under)/Over Disbursements	(107,754)	117,792
Cash Balance, January 1	133,854	16,062
Cash Balance, December 31	\$26,100	\$133,854

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

This page intentionally left blank.

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Troy Township Waste Water District, Ashland County, (the District) as a body corporate and politic. The District was created in November 2001 by the Ashland County Court of Common Pleas in accordance with the provisions of Chapter 6119 of the Ohio Revised Code. The District is directed by a five-member Board of Trustees. Board members are appointed by the Troy Township Trustees. The District began charging a user fee in March 2002 to be used toward the local share of connection fees to the sanitary sewer system that is being constructed. The system is anticipated to be operational by the fall of 2006.

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 basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

All cash is maintained in a checking account. The District has no investments.

D. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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. The District did not use the encumbrance method of accounting.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

2. EQUITY IN POOLED CASH

The carrying amount of cash at December 31 follows:

	2004	2003
Demand deposits	\$26,100	\$133,854

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

Budgeted vs. Actual Receipts		
Fund Type	2004	2003
Budgeted Receipts	\$280,000	\$299,062
Actual Receipts	94,572	273,252
Variance	(\$185,428)	(\$25,810)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2004	2003
Appropriation Authority	\$347,440	\$284,850
Budgetary Expenditures	202,326	155,460
Variance	\$145,114	\$129,390

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not certify the availability of funds prior to incurring purchase commitments.

Contrary to Ohio Rev. Code Section 5705.41(B), certain object level expenditures plus outstanding encumbrances exceeded appropriations.

4. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$259,474	5.65%

The District was approved by Ohio Water Development Authority (OWDA) for a loan on February 28, 2002 in the principal amount of \$320,594 for the construction of Waste Water treatment facilities. The District has received draw downs of \$259,474 as of December 31, 2004 and there has been accumulated capitalized interest of \$21,814. The District is scheduled to begin repayment of the loan on July 1, 2007 at an annual interest rate of 5.65%. This OWDA loan is an interim loan to start the project until funds are received from the USDA Rural Development Loan. The proceeds from the USDA loan will be used to redeem the OWDA loan.

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through. The District has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

The District belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

7. SUBSEQUENT EVENTS

The District is beginning the construction phase of a Waste Water treatment facility. The anticipated project cost is \$2,766,000. Construction on the project will begin in the fall of 2005 with an anticipated completion in the fall of 2006. Funding for the project is anticipated as follows:

<u>Funding Program</u>	<u>Amount</u>	<u>Status</u>
Connection Fees (\$3,000 per Equivalent Dwelling Unit (EDU))	\$132,000	Local Share
Ohio Public Works - Grant	500,000	Awarded in 2004
Ohio Public Works - Loan Assistance Grant	150,000	Approved in 2005
Ohio Department of Development - Small Government Sewer Grant	600,000	Application Submitted
HUD CDBG County Formula Grant	70,000	Awarded in 2004
USDA - Rural Development Grant	526,000	Awarded in 2004
USDA - Rural Development Loan	788,000	Approved in 2004
Total	<u>\$2,766,000</u>	

The District was approved by Ohio Water Development Authority (OWDA) for a loan on February 28, 2002 in the principal amount of \$320,594 for the construction of Waste Water treatment facilities. The District has drawn down a total of \$288,588 through September 29, 2005. The District is scheduled to begin repayment of the loan on July 1, 2007 at an annual interest rate of 5.65%. This OWDA loan is an interim loan to start the project until funds are received from the USDA Rural Development Loan. The proceeds from the USDA loan will be used to redeem the OWDA loan.

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. SUBSEQUENT EVENTS (Continued)

In Addition, the District began draws on their \$500,000 Ohio Public Works grant during 2004. A total of \$50,345 was received as of December 31, 2004 with an additional \$11,361 received as of the date of this report. No other grants or loans have been received to date.

This page intentionally left blank.



**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***

Troy Township Waste Water District
Ashland County
P.O. Box 55
Nova, Ohio 44859

To the Board of Trustees:

We have audited the financial statements of Troy Township Waste Water District, Ashland County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 29 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 29, 2005, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. In a separate letter to the District's management dated September 29, 2005, we reported other matters related to noncompliance we deemed immaterial.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Troy Township Waste Water District
Ashland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for 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

September 29, 2005

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be 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 District can authorize the drawing of a warrant for the payment of the amount due. The District 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 District.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 District 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.

100% of the District's expenditures were not certified by the Clerk prior to incurring the commitment and the three exceptions noted above were not utilized. The District should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D) and the importance of certifying the availability of funds. The District should implement the use of so called Then and Now Certificates, Blanket Certificate, and Super Blanket Certificate as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2004-002

Noncompliance Citation

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

At December 31, 2004 and 2003, object level expenditures plus outstanding encumbrances exceeded appropriations as follows:

<u>2004</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
Accountant	\$ 1,045	\$ 1,000	\$ 45
Office Supplies	1,722	1,000	722
Payroll Taxes	541	100	441
Salary – Clerk	3,242	3,000	242
<u>2003</u>			
Office Supplies	2,616	1,100	1,616
Bonding Insurance	714	100	614
URS Fees	133,797	131,000	2,797
State Auditor	2,335	0	2,335
Insurance – Liability	2,500	0	2,500
Accountants	1,835	0	1,835
OPERS	425	0	425
Payroll Taxes	10	0	10

The Clerk and Board should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level to avoid overspending.

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Revised Code § 5705.41(D), failure to certify availability of funds	No	Not Corrected. See finding 2004-001.
2002-002	Revised Code § 5705.41(B), expenditures exceeded appropriations	No	Not Corrected. See finding 2004-002.
2002-002	Revised Code § 5705.38, failure to approve annual appropriations	Yes	Finding No Longer Valid



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**TROY TOWNSHIP WASTE WATER DISTRICT
ASHLAND 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
NOVEMBER 17, 2005**