



**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005**



**Auditor of State
Betty Montgomery**

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

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**Auditor of State
Betty Montgomery**

Ridgeville Township Water and Sewer District
Henry County
20-254 U.S. Highway 6, P.O. Box C
Ridgeville Corners, Ohio 43555-0017

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 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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 1, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ridgeville Township Water and Sewer District
Henry County
20-254 U.S. Highway 6, P.O. Box C
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the accompanying financial statements of Ridgeville Township Water and Sewer District, Henry County, (the District) as of and for the years ended December 31, 2005 and 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. The District processes its financial transactions with 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 audit the District 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 years ended December 31, 2005 and 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, 2005 and 2004, or its changes in financial position or its cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Ridgeville Township Water and Sewer District, Henry County, as of December 31, 2005 and 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 years ended December 31, 2005 and 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 November 1, 2006, 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

November 1, 2006

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Cash Receipts:		
Charges for Services	\$190,303	\$158,197
Fines, Licenses and Permits	6,100	6,300
Miscellaneous	17,627	3,900
Total Operating Cash Receipts	214,030	168,397
Operating Cash Disbursements:		
Current:		
Personal Services	13,781	13,412
Employee Fringe Benefits	3,085	2,940
Contractual Services	122,448	105,581
Supplies and Materials	5,098	10,516
Other	1,541	1,752
Total Operating Cash Disbursements	145,953	134,201
Operating Income	68,077	34,196
Non-Operating Cash Receipts:		
Earnings on Investments	13,750	17,500
Non-Operating Cash Disbursements:		
Capital Outlay	5,506	16,312
Debt Service		24,879
Total Non-Operating Cash Disbursements	5,506	41,191
Excess of Cash Receipts Over Cash Disbursements Before Transfers	76,321	10,505
Transfers-In		94,547
Transfers-Out		(94,547)
Net Receipts Over Disbursements	76,321	10,505
Cash Balances, January 1	548,704	538,199
Cash Balances, December 31	\$625,025	\$548,704

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

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Ridgeville Township Water and Sewer District, Henry County, (the District) as a body corporate and politic. The District is directed by a five-member Board of Trustees appointed by the Ridgeville Township Board of Trustees. Ridgeville Township is the only subdivision that comprises the District. The District provides sewer services to residents of the District.

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 and Investments

The accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively.

The accounting basis values certificates of deposit at cost.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The 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 District had the following significant Enterprise Fund:

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

E. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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. 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 District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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 as assets.

2. EQUITY IN POOLED CASH

The District maintains a cash pool all funds use. The carrying amount of cash at December 31 follows:

	2005	2004
Demand deposits	\$224,825	\$148,504
Certificates of deposit	400,000	400,000
Total deposits	624,825	548,504
Cash on hand	200	200
Total carrying amount of cash	\$625,025	\$548,704

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

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

Budgeted vs. Actual Receipts		
Enterprise Fund Type	2005	2004
Budgeted Receipts	\$191,700	\$186,130
Actual Receipts	227,780	280,444
Variance	\$36,080	\$94,314

Budgeted vs. Actual Budgetary Basis Expenditures		
Enterprise Fund Type	2005	2004
Appropriation Authority	\$247,750	\$547,576
Budgetary Expenditures	151,459	269,939
Variance	\$96,291	\$277,637

4. DEBT

Debt outstanding at December 31, 2003, related to an Ohio Water Development Authority (OWDA) loan. The OWDA loan related to the construction of the District wastewater treatment facilities. The principal balance was paid off in 2004, with the final principal payment totaling \$23,252 being made on January 5, 2004.

5. RETIREMENT SYSTEM

The District's full-time employee belongs 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 2005 and 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 through December 31, 2005. The District has paid all contributions required through December 31, 2005.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Contractors equipment; and
- General floater.

The District is uninsured for the following risk:

- Public officials liability.

7. RELATED PARTY TRANSACTIONS

Contrary to the requirements of Ohio Rev. Code § 2921.42 (A)(3):

- Marlin Wyse is a member of the Board of Trustees and also serves as the Operations Manager of the District. Mr. Wyse was paid \$6,855 and \$7,901 in fiscal years 2005 and 2004, respectively, as Operations Manager.
- John Shotwell is a member of the Board of Trustees and also serves as the Office Manager of the District. Mr. Shotwell was paid \$12,144 and \$11,790 in fiscal years 2005 and 2004, respectively, as Office Manager.

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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***

Ridgeville Township Water and Sewer District
Henry County
20-254 U.S. Highway 6, P.O. Box C
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the financial statements of the Ridgeville Township Water and Sewer District, Henry County, (the District) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 1, 2006, 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 also noted that the District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District 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 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 November 1, 2006, 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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated November 1, 2006, we reported another matter related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

November 1, 2006

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Finding Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose”** states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During the period of January 1, 2004 to December 31, 2005, the Township Water and Sewer District held two Christmas dinners at Mohre’s Restaurant. At those dinners, \$61.00 was spent on alcoholic beverages and \$139.35 was spent on meals for spouses or significant others of District officials and employees. These purchases were retroactively approved by the Board of Trustees on 2/12/2004 and 2/10/2005. The District did not enact an ordinance or resolution which demonstrates what public purpose such expenditures serve, nor did the District have a policy permitting these types of expenditures. As mentioned previously, alcohol is never considered a proper public purpose.

Based upon the foregoing facts and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended is hereby issued against David Gobrogge, Board Trustee; James Hogrefe, Board Trustee; Carl Rosebrock, Board Trustee; John Shotwell, Board Trustee; and Marlin Wyse, Board Trustee, jointly and severally, in favor of the Sewer Operating Fund of Ridgeville Township Water and Sewer District in the total amount of \$200.35.

On October 19, 2006, the Trustees remitted payments totaling \$200.35 on receipt number 302-2006 to the credit of the Sewer Operating Fund.

Officials’ Response:

The Board of Trustees decided to repay this finding for recovery on October 19, 2006.

FINDING NUMBER 2005-002

Noncompliance Citation

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Rev. Code § 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code § 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code § 2921.42 (A)(3) prohibits an officer, during his term of office or within one year after such term, to hold any position of profit in a public contract that was authorized by him or by a legislative body, commission, or board of which he was a member, even where he did not vote. This prohibition does not apply where the contract has been competitively bid. Public employment constitutes a public contract for these purposes.

Ohio Rev. Code § 2921.42 (A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The following possible violations of the aforementioned Revised Code section were noted:

- Marlin Wyse is a member of the District Board of Trustees and also serves as the District's Operations Manager. In November 2002, Mr. Wyse voted on establishing this position and was appointed as Operations Manager. Mr. Wyse is considered an independent contractor, and received \$6,855 and \$7,901 in fiscal years 2005 and 2004, respectively, as Operations Manager.
- John Shotwell is a member of the District Board of Trustees and also serves as the District's Office Manager. In November 2002, Mr. Shotwell voted on establishing this position and was appointed as Office Manager. Mr. Shotwell is considered an employee, and was compensated \$12,144 and \$11,790 in fiscal years 2005 and 2004, respectively, as Office Manager.

We recommend the District, with the help of its legal counsel, develop a formal policy regarding related party transactions to govern transactions in which members of the District may have a personal interest. This policy may include District members abstaining from voting on related party items, advertising contracts for bid, etc.

These matters will be referred to the Ohio Ethics Commission for their consideration.

Officials' Response:

Due to the reluctance of Ridgeville Corners citizens to be involved in any group politic, and considering that the present arrangement works to the District's Board of Trustee's satisfaction, the Board disagrees with this finding and will do so until a legal opinion otherwise may be obtained.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code § 5705.41(D), improper certification of funds	No	Partially corrected. Reported as a management letter citation.
2003-002	Ohio Revised Code § 5705.41(B), expenditures in excess of appropriations	Yes	



**Auditor of State
Betty Montgomery**

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RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT

HENRY 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 30, 2006**