



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



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis	6
Fund Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Net Assets – Modified Cash Basis – Proprietary Funds	7
Notes to the Basic Financial Statements	8
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sylvania Township Water and Sewer District
Lucas County
4927 Holland Sylvania Road
Sylvania, Ohio 43560-2120

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of Sylvania Township Water and Sewer District, Lucas County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the business-type activities of Sylvania Township Water and Sewer District, Lucas County, Ohio, as of December 31, 2005 and 2004, and the respective changes in modified cash financial position for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

This discussion and analysis, along with the accompanying financial reports, of Sylvania Township Water and Sewer District (STWSD or "the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The District's net cash assets decreased by \$227 (-10.3%) in 2005 and by \$187,087 (-98.8%) in 2004.

The District's Operating Cash Receipts decreased by \$93,128 (-73.9%) in 2005 and increased by \$9,808 (8.4%) in 2004. Operating Cash Disbursements decreased by \$254,739 (-99.3%) in 2005 and increased by \$183,530 (251.2%) in 2004.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Statements of Net Assets-Cash basis and the Statements of Cash Receipts, Cash Disbursements and Changes in Net Assets-Cash Basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other income. Receipts are reported when received and disbursements are reported when paid.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

STATEMENTS OF NET ASSETS – Modified Cash Basis

Table 1 summarizes the Statements of Net Assets – Modified Cash Basis of the District.

TABLE 1	2005	2004	Change Amount	2003	Change Amount
Cash and Cash Equivalents	\$1,971	\$2,198	(\$227)	\$189,285	(\$187,087)
Total Assets	<u>\$1,971</u>	<u>\$2,198</u>	<u>(\$227)</u>	<u>\$189,285</u>	<u>(\$187,087)</u>
Net Assets -					
Unrestricted	\$1,971	\$2,198	(\$227)	\$189,285	(\$187,087)
Total Net Assets	<u>\$1,971</u>	<u>\$2,198</u>	<u>(\$227)</u>	<u>\$189,285</u>	<u>(\$187,087)</u>

The District's Net Cash Assets decreased by \$227 in 2005 and \$187,087 in 2004. The decrease in 2005 was primarily the result of principal repayments on the loan from Sylvania Township. The decrease in 2004 was primarily the result of principal payments on a loan and capital outlay disbursements which were partially offset by loan proceeds from the Township.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET ASSETS – Modified Cash Basis

Table 2 below summarizes the changes in Cash Receipts, Cash Disbursements and the resulting change in Net Cash Assets.

TABLE 2	2005	2004	Difference	2003	Difference
Operating Cash Receipts	\$32,821	\$125,949	(\$93,128)	\$116,141	\$9,808
Operating Cash Disbursements	1,860	256,599	(254,739)	73,069	183,530
Operating Income/(Loss)	<u>30,961</u>	<u>(130,650)</u>	<u>161,611</u>	<u>43,072</u>	<u>(173,722)</u>
Non-Operating Cash Receipts	4,630	66,515	(61,885)	242,894	(176,379)
Non-Operating Cash Disbursements	<u>35,818</u>	<u>122,952</u>	<u>(87,134)</u>	<u>116,141</u>	<u>6,811</u>
Changes in Net Cash Assets	(227)	(187,087)	186,860	169,825	(356,912)
Net Cash Assets, January 1	<u>2,198</u>	<u>189,285</u>	<u>(187,087)</u>	<u>19,460</u>	<u>169,825</u>
Net Cash Assets, December 31	<u>\$1,971</u>	<u>\$2,198</u>	<u>(\$227)</u>	<u>\$189,285</u>	<u>(\$187,087)</u>

From 2004 to 2005 operating cash receipts decreased \$93,128 due to a decrease in revenues collected from tap-in charges. Operating cash disbursements decreased \$254,739 primarily due to a decrease in expenditures for capital outlay. Non-Operating cash receipts decreased \$61,885 primarily due to a decrease in revenue from construction loan borrowing from Sylvania Township. Non-Operating cash disbursements decreased \$87,134 due to a decrease in construction loan repayments to Sylvania Township.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

From 2003 to 2004 operating cash receipts increased \$9,808 due to an increase in revenues collected from tap-in charges. Operating cash disbursements increased \$183,530 primarily due to an increase in expenditures for capital outlay, which were partially offset by decreases in expenditures for engineering and other contractual services. Non-Operating cash receipts decreased \$176,379 primarily due to a decrease in construction loan borrowing from Sylvania Township.

CAPITAL ASSETS

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had no capital outlay disbursements during fiscal year 2005 and \$225,787 during fiscal year 2004.

DEBT

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. Additional information regarding debt can be found in Note 7 to the Basic Financial Statements.

TABLE 3	2005	2004	Change	2003	Change
Sylvania Township Loan	<u>\$1,118,606</u>	<u>\$1,149,924</u>	<u>\$31,318</u>	<u>\$1,206,641</u>	<u>\$56,717</u>
Total Long Term Debt	<u>\$1,118,606</u>	<u>\$1,149,924</u>	<u>\$31,318</u>	<u>\$1,206,641</u>	<u>\$56,717</u>

CASH

Cash and investments on December 31, 2005 and 2004, were \$1,971 and \$2,198, respectively.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the Sylvania Township Water and Sewer District, 4927 Holland-Sylvania, Sylvania, Ohio 43560-2120.

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

**STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	\$ 1,971	\$ 2,198
<i>Total Assets</i>	<u>\$ 1,971</u>	<u>\$ 2,198</u>
Net Assets		
Unrestricted	\$ 1,971	\$ 2,198
<i>Total Net Assets</i>	<u>\$ 1,971</u>	<u>\$ 2,198</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
OPERATING RECEIPTS		
Tap-in charges	\$ 32,821	\$ 125,949
OPERATING CASH DISBURSEMENTS		
Personal services		9,600
Other contractual services	1,570	10,054
Capital outlay		225,787
Engineering		10,655
General operating	290	503
Total operating cash disbursements	1,860	256,599
Excess of operating receipts over (under) operating disbursements	30,961	(130,650)
NON-OPERATING RECEIPTS		
Proceeds from Sylvania Township loan	4,500	66,235
Interest receipts	19	280
Miscellaneous receipts	111	
Total non-operating receipts	4,630	66,515
NON-OPERATING DISBURSEMENTS		
Principal payments to Sylvania Township	35,818	122,952
Excess of Expenditures Over Revenues	(227)	(187,087)
Net assets, January 1	2,198	189,285
Net assets, December 31	\$ 1,971	\$ 2,198

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

NOTE 1 – REPORTING ENTITY

The Sylvania Township Water & Sewer 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 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.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. The District provides water and sewer services to residents of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. Based on these criteria, the District has no component units.

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *modified* cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its enterprise fund. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of a statement of net assets and a statement of cash receipts, cash disbursements, and changes in net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Financial Statements

The District has one enterprise fund.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Basis of Accounting

The District's financial statements are prepared using the *modified* cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this *modified* cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

C. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the District Board may appropriate.

The appropriations resolution is the District Boards' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the District Board. The legal level of control has been established at the fund/function/object level for all funds. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Secretary/Treasurer.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The district did not certify resources for fiscal years 2005 and 2004.

D. Cash

For reporting purposes, the District considers "Net assets" and "Cash and Cash Equivalents" to be cash on hand, and demand deposits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Long-Term Obligations

The District's *modified* cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception.

G. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District reported no restricted amounts for 2005 and 2004.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

Fiscal year 2003, the District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This period the District has implemented the *modified* cash basis of accounting described in note 2.

NOTE 4 – COMPLIANCE

During fiscal year 2005 and 2004, prior certification of the Fiscal Officer was not was obtained nor was a then and now certificate utilized for all the District's expenditures.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, 2005 and 2004, none of the District's bank balance was exposed to custodial credit risk.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

NOTE 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 460 Ohio governments (“Members”).

Pursuant to § 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.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of \$15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

	2005	2004
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$ 5,470,791	\$ 4,457,714

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

NOTE 7 – DEBT

Debt outstanding at December 31, 2005 and 2004, was as follows:

	Interest Rate	Balance at 1/1/2005	Issued	(Retired)	Balance at 12/31/2005
Sylvania Township	6.00%	\$ 1,149,924	\$ 4,500	\$ (35,818)	\$ 1,118,606

	Interest Rate	Balance at 1/1/2004	Issued	(Retired)	Balance at 12/31/2004
Sylvania Township	6.00%	\$ 1,206,641	\$ 66,235	\$(122,952)	\$ 1,149,924

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

NOTE 7 – DEBT – (CONTINUED)

The District entered into an unsecured loan agreement with Sylvania Township for construction and operating purposes. The loan was entered into on May 25, 2000 with no expiration date assigned and a maximum borrowing amount of \$1,500,000. During 2005 and 2004, the District obtained additional funds which amounted to \$4,500 and \$66,235 respectively. Currently, a loan repayment schedule has not been established; therefore, the future principal and interest payments have not been determined.

NOTE 8 – 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 \$4,500 and \$66,235 in 2005 and 2004, respectively, in loan proceeds from the Township as a source of revenue.

One of the District's five board members also serves as the Assistant Sanitary Engineer within the Lucas County Sanitary Engineer's office. As the Assistant Engineer, he is responsible for overseeing all functions of the Engineer's Office. The Lucas County Sanitary Engineer's office is responsible for assessing tap in charges for the District and paying the District any fees it receives on its behalf of the District. The District received \$32,821 and \$125,949 in tap fees for 2005 and 2004 respectively.

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***

Sylvania Township Water and Sewer District
Lucas County
4927 Holland Sylvania Road
Sylvania, Ohio 43560-2120

To the Board of Trustees:

We have audited the financial statements of the business-type activities of Sylvania Township Water and Sewer District, Lucas county, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the District's basic financial statements and have issued our report dated December 12, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2005-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 and 2005-003. In a separate letter to the District's management dated December 12, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

December 12, 2006

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

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

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

FINDING NUMBER 2005-001

Reportable Condition

The District has outstanding debt with Sylvania Township in the amount of \$1,118,606 for the construction of a Sanitary Sewer and Waterline project without the means to repay the debt. The District has the potential of collecting additional tap fees only if additional properties connect to these utilities. There are no other commitments known from property owners with intent to tap in to these utilities. The District does not currently receive sufficient revenues from the water and sewer projects to pay for operating expenses or the District's debt obligation, and has provided no contingencies for the payment of the debt obligation with Sylvania Township.

These conditions could raise substantial doubt about the District's ability to continue as a going concern.

We recommend management develop a comprehensive contingency plan to raise appropriate revenues, and address the inability to meet the District's operating expenses and debt obligations.

Officials' Response

Management did not provide any response to this finding.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Revised Code § 5705.28(B)(2)(a) states the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

The District approved appropriations without approving any estimated resources.

This condition could result in appropriations exceeding the total available for appropriations, expenditures exceeding appropriations, a possible deficit fund balance, and inability to monitor budget to actual status.

We recommend the District approve estimated resources prior to approving appropriations.

Officials' Response

Management responded they believe that procedures implemented in fiscal year 2006 will correct this citation.

Auditor of State's Conclusion

The Auditor of State will follow up on this during the audit of the fiscal years 2007 and 2006 financial statements.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision 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. 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

A. "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.

B. 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. 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.

C. 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.

Prior Certification was not obtained, nor was a then and now certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval. Also the District's board did not pass a resolution or policy stating a set dollar amount for blanket purchase orders in 2004.

This condition could result in the District's funds being over expended or exceeding budgetary spending limitations as set by the District.

FINDING NUMBER 2005-003
(Continued)

We recommend the District certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Also the District's board should pass a resolution or policy stating a set dollar amount for blanket purchase orders.

Officials' Response

Management responded they believe that procedures implemented in fiscal year 2006 will correct this citation.

Auditor of State's Conclusion

The Auditor of State will follow up on this during the audit of the fiscal years 2007 and 2006 financial statements.

**SYLVANIA TOWNSHIP WATER AND SEWER DISTRICT
LUCAS 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	Approved appropriations without approving estimated resources	No	Not corrected, re-issued as finding 2005-002.



Mary Taylor, CPA
Auditor of State

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
JANUARY 18, 2007