



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA
Auditor of State

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

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 an 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 adverse 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.

Mary Taylor

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June 6, 2008

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Ohio-Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Authority'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 Authority 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 Authority because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 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 Authority 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.

While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require authorities to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Ohio-Lee Township Water and Sewer Authority, Monroe County, as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Authority 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 June 6, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.



Mary Taylor, CPA
Auditor of State

June 6, 2008

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Operating Cash Receipts:	
Charges for Services	<u>\$126,647</u>
Total Operating Cash Receipts	<u>126,647</u>
Operating Cash Disbursements:	
Personal Services	49,983
Employee Fringe Benefits	8,749
Contractual Services	46,061
Supplies and Materials	14,173
Other	<u>69</u>
Total Operating Cash Disbursements	<u>119,035</u>
Operating Income	<u>7,612</u>
Non-Operating Cash Receipts:	
Investment Earnings	4,255
Intergovernmental	<u>13,115</u>
Total Non-Operating Cash Receipts	<u>17,370</u>
Non-Operating Cash Disbursements:	
Capital Outlay	<u>20,859</u>
Total Non-Operating Cash Disbursements	<u>20,859</u>
Net Receipts Over Disbursements	<u>4,123</u>
Fund Cash Balance, January 1	<u>122,809</u>
Fund Cash Balance, December 31	<u><u>\$126,932</u></u>

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

Cash Disbursements:	
Basic Utility Services	<u>\$437</u>
Total Cash Disbursements	<u>437</u>
Net Cash Receipts (Under) Cash Disbursements	<u>(437)</u>
Fund Cash Balance, January 1	<u>437</u>
Fund Cash Balance, December 31	<u><u>\$0</u></u>

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

Operating Cash Receipts:	
Charges for Services	<u>\$126,274</u>
Total Operating Cash Receipts	<u>126,274</u>
Operating Cash Disbursements:	
Personal Services	50,089
Employee Fringe Benefits	8,390
Contractual Services	57,154
Supplies and Materials	44,593
Other	<u>442</u>
Total Operating Cash Disbursements	<u>160,668</u>
Operating (Loss)	<u>(34,394)</u>
Non-Operating Cash Receipts:	
Investment Earnings	3,904
Intergovernmental	<u>20,900</u>
Total Non-Operating Cash Receipts	<u>24,804</u>
Net Receipts (Under) Disbursements	<u>(9,590)</u>
Fund Cash Balance, January 1	<u>132,399</u>
Fund Cash Balance, December 31	<u><u>\$122,809</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Ohio-Lee Township Water and Sewer Authority, Monroe County (the Authority), as a body corporate and politic. Each Board member is appointed by the Monroe County Common Pleas Court Judge. There are five Board members. Subdivisions within the Authority are Ohio and Lee Townships. The Authority provides water services to residents of Ohio and Lee Townships.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority 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. Cash

The Authority values certificates of deposit at cost.

D. Fund Accounting

The Authority uses fund accounting to segregate cash that is restricted as to use. The Authority classifies its funds into the following types:

Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Authority had the following significant Special Revenue Fund:

Federal Emergency Management Agency (FEMA) Line Breaks Fund - This fund receives federal and state grant revenues for the repair of broken water lines resulting from land slippage.

Enterprise Funds

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 Authority had the following significant Enterprise Fund:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds (Continued)

Water 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 Authority to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

The Authority may invest in certificates of deposit.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

	2007	2006
Demand deposits	\$42,210	\$42,069
Certificates of deposit	84,722	80,740
Total deposits	\$126,932	\$122,809

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; the National Credit Union Share Insurance Fund; or collateralized by securities specifically pledged by the financial institution to the Authority.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006, follows:

2007 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$135,000	\$144,017	\$9,017
	\$135,000	\$144,017	\$9,017

2007 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Actual Expenditures	Variance
Enterprise	\$257,008	\$139,894	\$117,114
	\$257,008	\$139,894	\$117,114

2006 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$135,000	\$151,078	\$16,078
	\$135,000	\$151,078	\$16,078

2006 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Actual Expenditures	Variance
Special Revenue	\$437	\$437	\$0
Enterprise	262,728	160,668	102,060
Total	\$263,165	\$161,105	\$102,060
	\$263,165	\$161,105	\$102,060

4. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9.0%, respectively, of their gross salaries and the Authority contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Authority has paid all contributions required through December 31, 2007.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

6. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Ohio-Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 6, 2008, wherein we noted the Authority prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Authority 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 Authority. 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 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 Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in

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accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the Authority's management in a separate letter dated June 6, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 6, 2008.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 6, 2008

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Furthermore, Auditor of State Bulletin 2000-008, provides the recommended accounting treatment for grants and loans including Community Development Block Grant (CDBG) funding. Ohio Rev. Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation. Ohio Rev. Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

During 2007 and 2006, the Authority did not record Community Development Block Grant (CDBG) monies awarded through the Monroe County Commissioners on the accounting records or financial statements in the amount of \$13,115 and \$20,900, respectively, within the Water Operating Fund. Also, the Authority Office Manager did not amend estimated revenues for the CDBG monies received in 2007 or 2006. The Authority Board of Trustees did not amend appropriations for the projects funded through the CDBG monies.

The above noted adjustments were agreed to by Authority officials' and are reflected in the accompanying financial statements.

We recommend the Authority refer to Auditor of State Bulletin 2000-008 and follow the recommended accounting treatment for all CDBG funding expended directly to contractors on-behalf of the Authority. We further recommend the Authority follow the budgetary scheme of Chapter 5705 of the Revised Code and monitor appropriations, amending them as appropriate to record these funds.

Officials' Response: We did not receive a response from the officials to the finding reported above.



Mary Taylor, CPA
Auditor of State

OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2008**