



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003-2004**



**Auditor of State  
Betty Montgomery**



**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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**Auditor of State  
Betty Montgomery**

Henry County Regional Water and Sewer District  
P.O. Box 146  
Napoleon, Ohio 43545-0146

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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 24, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Henry County Regional Water and Sewer District  
P.O. Box 146  
Napoleon, Ohio 43545-0146

To the Board of Trustees:

We have audited the accompanying financial statements of the Henry County Regional Water and Sewer District (the District) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 year ended December 31, 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Regional Water and Sewer District, Henry County, as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

October 24, 2005

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

	<b>2004</b>	<b>2003</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$29,779	\$1,276
Total Operating Cash Receipts	29,779	1,276
<b>Operating Cash Disbursements:</b>		
Personal Services	205	
Utilities	762	
Other Contractual Services	9,067	171
Office Supplies and Materials	256	104
Insurance	2,550	
Total Operating Cash Disbursements	12,840	275
Operating Income	16,939	1,001
<b>Non-Operating Cash Receipts:</b>		
Other Non-Operating Revenues	52	1
Total Non-Operating Cash Receipts	52	1
<b>Non-Operating Cash Disbursements:</b>		
Other Non-Operating Cash Disbursements	143	
Total Non-Operating Cash Disbursements	143	
Net Receipts Over Disbursements	16,848	1,002
Cash Balances, January 1	1,002	
<b>Cash Balances, December 31</b>	<b>\$17,850</b>	<b>\$1,002</b>

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

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**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges for the Regional Water and Sewer District, Henry County, (the District) as a body corporate and politic. The Regional Water and Sewer District as allowed by ORC 6119.02 was established in 2003. The Henry County Commissioners appoints the Board of Trustees to direct the District. There are 5 Board members. The District includes all unincorporated areas within the County excluding Ridgeville Township. The District provides water and 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**

The District assets are in a checking account.

**D. Budgetary Process**

The Ohio Revised Code requires the District to budget annually.

**1. Appropriations**

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

**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.

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

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

**E. Property, Plant and Equipment**

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

**2. EQUITY IN CASH**

The carrying amount of cash at December 31 follows:

	2004	2003
Demand deposits	\$17,850	\$1,002

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2004 and 2003 follows:

Budgeted vs. Actual Receipts		
Fund Type	2004	2003
Budgeted Receipts	\$0	\$0
Actual Receipts	29,831	1,277
Variance	\$29,831	\$1,277

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2004	2003
Appropriation Authority	\$0	\$0
Budgetary Expenditures	12,983	275
Variance	(\$12,983)	(\$275)

Contrary to Ohio law the District did not adopt an operating budget or approve appropriations resulting in budgetary expenditures exceeding appropriations.

**4. RISK MANAGEMENT**

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

Pursuant to § 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.

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

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 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

- General liability; and
- Errors and omissions.

**5. SUBSEQUENT EVENTS**

In 2005 the District issued debt with the Ohio Water Development Authority for the Okolona Wastewater Collection System Design in the amount of \$78,000 and contribution to the Village of Florida Wastewater Treatment Plant in the amount of \$400,000. Contracts were entered into for the design and construction of the wastewater collection system for Okolona area residents.

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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***

Henry County Regional Water and Sewer District  
P.O. Box 146  
Napoleon, Ohio 43545-0146

To the Board of Trustees:

We have audited the financial statements of the Henry County Regional Water and Sewer District (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 24, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 October 24, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

**Betty Montgomery**  
Auditor of State

October 24, 2005

**HENRY COUNTY REGIONAL WATER AND SEWER DISTRICT  
HENRY COUNTY**

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

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.28(A)2(a) states that a taxing authority of a taxing unit that does not levy a tax is required to adopt an operating budget on or before the fifteenth day of July each year for the ensuing fiscal year. Additionally, Ohio Revised Code § 5705.38 states in part that on or about the first day of each year, the taxing authority of each subdivision or taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

The District did not pass an operating budget or appropriation measure for 2003 and 2004. This resulted in expenditures exceeding appropriations.

We recommend that the District officials review Auditor of State Bulletin 99-014 entitled Compliance with Budgetary Requirements and the Ohio Compliance Supplement.





**Auditor of State  
Betty Montgomery**

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**HENRY COUNTY REGIONAL 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 10, 2005**