



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Ohio and Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Ohio and Lee Township Water and Sewer Authority, Monroe County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 10, 2014

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Special Revenue</u>
Cash Receipts	
Intergovernmental	<u>\$614</u>
Total Cash Receipts	<u>614</u>
Other Financing (Disbursements)	
Transfers Out	<u>(1,719)</u>
Total Other Financing (Disbursements)	<u>(1,719)</u>
Net Change in Fund Cash Balances	(1,105)
Fund Cash Balance, January 1	<u>1,105</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 AND LEE TOWNSHIP WATER AND SEWER AUTHORITY
MONROE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$142,664
	<hr/>
Total Operating Cash Receipts	142,664
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Operating Cash Disbursements:	
Personal Services	61,566
Employee Fringe Benefits	11,128
Contractual Services	40,465
Supplies and Materials	19,065
Other	32
	<hr/>
Total Operating Cash Disbursements	132,256
	<hr/>
Operating Income	10,408
	<hr/>
Non-Operating Cash Receipts:	
Earnings on Investment	552
Miscellaneous	14,258
Transfers In	1,719
	<hr/>
Total Non-Operating Cash Receipts	16,529
	<hr/>
Non-Operating Cash Disbursements:	
Capital Outlay	22,380
	<hr/>
Total Non-Operating Cash Disbursements	22,380
	<hr/>
Net Receipts Over Disbursements	4,557
	<hr/>
Cash Balance, January 1	150,685
	<hr/>
Cash Balance, December 31	<u><u>\$155,242</u></u>

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Special Revenue
Cash Receipts	
Intergovernmental	<u>\$3,809</u>
Total Cash Receipts	<u>3,809</u>
Cash Disbursements	
Current:	
Basic Utility Services	<u>2,704</u>
Total Cash Disbursements	<u>2,704</u>
Net Change in Fund Cash Balances	1,105
Fund Cash Balance, January 1	<u>0</u>
Fund Cash Balance, December 31	
Restricted	<u>1,105</u>
Fund Cash Balance, December 31	<u><u>\$1,105</u></u>

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$142,063
Total Operating Cash Receipts	142,063
Operating Cash Disbursements:	
Personal Services	61,523
Employee Fringe Benefits	10,384
Contractual Services	52,079
Supplies and Materials	27,942
Other	1,878
Total Operating Cash Disbursements	153,806
Operating (Loss)	(11,743)
Non-Operating Cash Receipts:	
Earnings on Investments	956
Total Non-Operating Cash Receipts	956
Net Receipts (Under) Disbursements	(10,787)
Cash Balance, January 1	161,472
Cash Balance, December 31	\$150,685

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 and Lee Township Water and Sewer Authority, Monroe County, Ohio (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. Deposits

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:

1. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Federal Grant 2011 Fund - This fund receives federal and state grant revenues for the purchase and installation of an automatic water salesman.

Federal Emergency Management Agency (FEMA) 2012 Fund - This fund receives federal and state grant revenues for emergency response and debris removal costs from severe storms during 2012.

2. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Authority had the following significant Enterprise Fund:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Enterprise Funds (Continued)

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

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). Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 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 DEPOSITS AND INVESTMENTS

The Authority may invest in certificates of deposits.

The carrying amount of deposits and investments at December 31 was as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (CONTINUED)

	2013	2012
Demand deposits	\$50,650	\$47,692
Certificates of deposit	104,592	104,098
Total deposits	\$155,242	\$151,790

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012, follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$1,719	\$614	(\$1,105)
Enterprise	283,985	159,193	(124,792)
Total	\$285,704	\$159,807	(\$125,897)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$1,719	\$1,719	\$0
Enterprise	283,985	156,194	127,791
Total	\$285,704	\$157,913	\$127,791

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$12,369	\$3,809	(\$8,560)
Enterprise	295,097	143,019	(152,078)
Total	\$307,466	\$146,828	(\$160,638)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	\$11,264	\$2,704	\$8,560
Enterprise	295,097	155,506	139,591
Total	\$306,361	\$158,210	\$148,151

4. RETIREMENT SYSTEM

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. RETIREMENT SYSTEM (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2013.

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.



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

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio and Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 10, 2014, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 10, 2014



Dave Yost • Auditor of State

OHIO AND 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
NOVEMBER 6, 2014**