



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended December 31, 2003 and 2002.....	3
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	12

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sylvania Township Water and Sewer District
Lucas County
P.O. Box 160
Sylvania, Ohio 43560-0160

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township Water and Sewer District, Lucas County, (the District) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the District as of December 31, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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
Ohio Auditor of State

October 28, 2004

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Operating Cash Receipts:		
Charges for Services	\$ 116,141	\$ 1,919
Total Operating Cash Receipts	116,141	1,919
Operating Cash Disbursements:		
Personal Services	10,800	7,200
Other Contractual Services	30,025	19,410
General Operating	890	321
Engineering	28,718	500
Insurance	2,636	1,250
Capital Outlay		300
Total Operating Cash Disbursements	73,069	28,981
Operating Income/(Loss)	43,072	(27,062)
Non-Operating Cash Receipts:		
Loan Proceeds	242,848	30,000
Interest from proceeds	46	6
Total Non-Operating Cash Receipts	242,894	30,006
Non-Operating Cash Disbursements:		
Principle Payments for Loan	116,141	1,919
Total Non-Operating Cash Disbursements	116,141	1,919
Net Receipts Over Disbursements	169,825	1,025
Cash Balances, January 1	19,460	18,435
Cash Balances, December 31	\$ 189,285	\$ 19,460

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

This page intentionally left blank.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Sylvania Township Water and 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 is directed by a five-member Board of Trustees. The District's jurisdiction is only over a small segment within Sylvania 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

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).

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

D. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$ 189,285	\$ 19,460

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

Budgeted vs. Actual Receipts		
Fund Type	2003	2002
Budgeted Receipts	\$ -	\$ -
Actual Receipts	359,035	31,925
Variance	\$ 359,035	\$ 31,925

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2003	2002
Appropriation Authority	\$ 749,000	\$ 903,579
Budgetary Expenditures	189,210	30,900
Variance	\$ 559,790	\$ 872,679

Contrary to Ohio law, the District did not certify estimated resources for both fiscal years 2003 and 2002. In addition, the District approved appropriations without certified estimated resources.

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Sylvania Township Loan	\$ 1,206,641	6%

The District entered into a 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. Currently, loan payment amounts have not been established, therefore, the future principle and interest payments have not been determined.

5. RISK MANAGEMENT

The District belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

The Plan uses conventional insurance coverage and reinsures this coverage 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

6. RELATED PARTY TRANSACTIONS

The District is a related organization of Sylvania Township. The Township appoints 4 of the 5 Trustees that manage the District. During the audit period, the District received \$242,848 and \$30,000 in 2003 and 2002, 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 Engineers' office. As the Assistant Engineer, he is responsible for overseeing all functions of the office. This office is responsible for assessing tap in charges for the District and paying the District any fees it receives on its behalf. The District received \$118,298 and \$1,919 in tap fees for 2003 and 2002 respectively.

7. SUBSEQUENT EVENTS

The District awarded a bid contract for a new water line project. The project began in early 2004. The new tap-in fees received as a result of the project will be used to help pay for the project and the loan from Sylvania Township.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Sylvania Township Water and Sewer District
Lucas County
P.O. Box 160
Sylvania, Ohio 43560-0160

To the Board of Trustees:

We have audited the accompanying financial statements of Sylvania Township Water and Sewer District, Lucas County, (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 28, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated October 28, 2004.

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 for the purpose of expressing our opinion on the

financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated October 28, 2004.

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by 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
Ohio Auditor of State

October 28, 2004

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

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.

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40148-001	ORC § 5705.28 – Failure to adopt operating budget on or about July 15	No	Not corrected. Reissued as Finding 2003-001.
2001-40148-002	ORC § 5705.36 – Failure to adopt estimated revenue budget on or about first of fiscal year	Yes	
2001-40148-003	ORC § 5705.38 – Failure to appropriate funds on or about first of fiscal year	Yes	
2001-40148-004	ORC § 5705.41(B) – Failure to appropriate money prior to expending	Yes	
2001-40148-005	ORC § 5705.41(D) – Failure to certify funds prior to expending or entering into a contract	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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
DECEMBER 16, 2004**