



**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

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Mary Taylor, CPA

Auditor of State

Ridgeville Township Water and Sewer District
Henry County
P.O. Box C
Ridgeville Corners, Ohio 43555-0017

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 5, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ridgeville Township Water and Sewer District
Henry County
P.O. Box C
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the accompanying financial statements of Ridgeville Township Water and Sewer District, Henry County, (the District) as of and for the years ended December 31, 2007 and 2006. 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.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require districts to reformat their statements. The District 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.

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 District as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of Ridgeville Township Water and Sewer District, Henry 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 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 September 5, 2008, 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.



Mary Taylor, CPA
Auditor of State

September 5, 2008

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Operating Cash Receipts:		
Charges for Services	\$228,409	\$229,959
Fines, Licenses and Permits	6,208	6,200
Total Operating Cash Receipts	234,617	236,159
Operating Cash Disbursements:		
Personal Services	14,232	14,051
Employee Fringe Benefits	3,412	3,117
Contractual Services	130,510	109,615
Office Supplies and Materials	7,450	6,600
Other	673	1,363
Total Operating Cash Disbursements	156,277	134,746
Operating Income	78,340	101,413
Non-Operating Cash Receipts:		
Intergovernmental Revenues	3,480	3,604
Miscellaneous	128	1,503
Interest Income	32,680	20,265
Total Non-Operating Cash Receipts	36,288	25,372
Non-Operating Cash Disbursements:		
Other Non-Operating Cash Disbursements	5,312	2,445
Excess Of Cash Receipts Over Cash Disbursements Before Interfund Transfers	109,316	124,340
Transfers-In	73,228	72,152
Transfers-Out	(73,228)	(72,152)
Net Receipts Over Disbursements	109,316	124,340
Cash Balance, January 1	749,365	625,025
Cash Balance, December 31	\$858,681	\$749,365

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

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY 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 Ridgeville Township Water and Sewer District, Henry County, (the District) as a body corporate and politic. The District is directed by a five-member Board of Trustees appointed by the Ridgeville Township Board of Trustees. Ridgeville Township is the only subdivision that comprises the District. The District provides sewer services for the residents of the District.

The District's management believes these financial statements present all activities for which the District 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 District 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 District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values certificates of deposit at cost

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its fund into the Enterprise Fund Type.

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 District had the following Enterprise Fund:

Sewer 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 Board to budget annually.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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 District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

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

F. Property, Plant, and Equipment

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

2. CASH

The District maintains a cash pool all funds use. The Ohio Revised Code describes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$458,481	\$349,165
Certificates of deposit	400,000	400,000
Total deposits	<u>858,481</u>	<u>749,165</u>
Cash on hand	<u>200</u>	<u>200</u>
Total deposits and cash on hand	<u><u>\$858,681</u></u>	<u><u>\$749,365</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District or collateralized by the financial institution's public entity deposit pool.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

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

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
\$413,500	\$344,133	(\$69,367)

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$252,000	\$234,817	\$17,183

2006 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$249,800	\$333,683	\$83,883

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$272,500	\$209,343	\$63,157

4. RETIREMENT SYSTEM

The District's full-time employee belongs 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%, respectively, of their gross salaries and the District contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

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

5. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Contractors equipment; and general floater.

The District is uninsured for the following risks:

- Public officials liability

6. RELATED PARTY TRANSACTIONS

Contrary to the requirements of Ohio Revised Code § 2921.42 (A)(3):

- Marlin Wyse is a member of the Board of Trustees and also serves as the Operations Manager of the District. Mr. Wyse was paid \$7,114 and \$6,262 in fiscal years 2007 and 2006, respectively, as Operations Manager.
- John Shotwell is a member of the Board of Trustees and also serves as the Office Manager of the District. Mr. Shotwell was paid \$12,947 and \$12,508 in fiscal years 2007 and 2006, respectively, as Office Manager.

7. SUBSEQUENT EVENTS

The District entered into a loan agreement in the amount of \$385,123 with Ohio Water Development Authority for improvements for the waste water treatment plant and main line infrastructure. The term of the agreement is 7/1/08 to 1/1/2018 at 3.97%. The project started in 2008.

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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*

Ridgeville Township Water and Sewer District
Henry County
P.O. Box C
Ridgeville Corners, Ohio 43555-0017

To the Board of Trustees:

We have audited the financial statements of Ridgeville Township Water and Sewer District, Henry County, (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 5, 2008, 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 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. 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 District'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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated September 5, 2008.

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 a instance of noncompliance 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 matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 5, 2008.

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



Mary Taylor, CPA
Auditor of State

September 5, 2008

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Rev. Code § 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code § 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code § 2921.42 (A)(3) prohibits an officer, during his term of office or within one year after such term, to hold any position of profit in a public contract that was authorized by him or by a legislative body, commission, or board of which he was a member, even where he did not vote. This prohibition does not apply where the contract has been competitively bid. Public employment constitutes a public contract for these purposes.

Ohio Rev. Code § 2921.42 (A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The following possible violations of the aforementioned Revised Code section were noted:

- Marlin Wyse is a member of the District Board of Trustees and also serves as the Operations Manager of the District. In November of 2002, Mr. Wyse voted on establishing this position and was appointed to this position. Although considered an independent contractor with no withholdings being taken out, Mr. Wyse received \$7,114 and \$6,262 in fiscal year 2007 and 2006, respectively, for serving in the position of Operations Manager.
- John Shotwell is a member of the District Board of Trustees and also serves as the Office Manager of the District. In November of 2002, Mr. Shotwell voted on establishing this position and was appointed to this position. Treated as an employee with withholdings being withheld, Mr. Shotwell was compensated \$12,947 and \$12,508 in fiscal year 2007 and 2006, respectively, for being employed as the Office Manager.

**FINDING NUMBER 2007-001
(Continued)**

We recommend the District, with the help of its legal counsel, develop a formal policy regarding related party transactions to govern transactions in which members of the District may have a personal interest. This policy may include District members abstaining from voting on related party items, advertising contracts for bid, etc. Also, the District should get in contact with OPERS for a determination to be made whether or not the position held by Mr. Wyse meets the definition of employee or independent contractor of the District.

This matter will be referred to the Ohio Ethics Commission for their consideration.

Officials' Response:

We did not receive a response from Officials to this finding.

**RIDGEVILLE TOWNSHIP WATER AND SEWER DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 117.28 improper public purpose for expenditures	Yes	
2005-002	Ethics violation	No	Repeated as finding 2007-001 in this report.



Mary Taylor, CPA
Auditor of State

RIDGEVILLE TOWNSHIP 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
OCTOBER 7, 2008**