



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance Governmental Fund Type - For the Year Ended December 31, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance Proprietary Fund Type - For the Year Ended December 31, 2005.....	6
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance Proprietary Fund Type - For the Year Ended December 31, 2004.....	7
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Finding	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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 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

April 18, 2006

This page intentionally left blank.



Auditor of State Betty Montgomery

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, 2005 and 2004. 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.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to reformat its statements. Since this Authority 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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, 2005 and 2004 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, 2005 and 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 fund cash balances and reserves for encumbrances of the Ohio-Lee Township Water and Sewer Authority, Monroe County, as of December 31, 2005 and 2004, 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 Authority to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 April 18, 2006, 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.



Betty Montgomery
Auditor of State

April 18, 2006

**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, 2005**

Cash Receipts:	
Intergovernmental	<u>\$13,193</u>
Total Cash Receipts	<u>13,193</u>
Other Financing (Disbursements):	
Transfers-Out	<u>(12,756)</u>
Total Other Financing (Disbursements)	<u>(12,756)</u>
Excess of Cash Receipts Over Other Financing Disbursements	437
Fund Cash Balance, January 1	<u>0</u>
Fund Cash Balance, December 31	<u><u>\$437</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, 2005**

Operating Cash Receipts:	
Charges for Services	\$129,840
Total Operating Cash Receipts	129,840
Operating Cash Disbursements:	
Personal Services	52,316
Employee Fringe Benefits	8,992
Contractual Services	36,170
Supplies and Materials	30,677
Other	2,173
Total Operating Cash Disbursements	130,328
Operating (Loss)	(488)
Non-Operating Cash Receipts:	
Earnings on Investments	2,196
Miscellaneous	87
Other Financing Sources	701
Total Non-Operating Cash Receipts	2,984
Non-Operating Cash Disbursements:	
Capital Outlay	3,975
Total Non-Operating Cash Disbursements	3,975
Loss Before Interfund Transfers	(1,479)
Transfers-In	12,756
Net Receipts Over Disbursements	11,277
Fund Cash Balance, January 1	121,122
Fund Cash Balance, December 31	\$132,399

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, 2004**

Operating Cash Receipts:	
Charges for Services	\$129,260
	<hr/>
Total Operating Cash Receipts	129,260
	<hr/>
Operating Cash Disbursements:	
Personal Services	46,147
Employee Fringe Benefits	10,018
Contractual Services	35,457
Supplies and Materials	8,649
Other	779
	<hr/>
Total Operating Cash Disbursements	101,050
	<hr/>
Operating Income	28,210
	<hr/>
Non-Operating Cash Receipts:	
Earnings on Investments	727
Miscellaneous	94
	<hr/>
Total Non-Operating Cash Receipts	821
	<hr/>
Non-Operating Cash Disbursements:	
Capital Outlay	24,766
Redemption of Principal	22,918
Interest and Other Fiscal Charges	105
	<hr/>
Total Non-Operating Cash Disbursements	47,789
	<hr/>
Net Receipts (Under) Disbursements	(18,758)
	<hr/>
Fund Cash Balance, January 1	139,880
	<hr/>
Fund Cash Balance, December 31	\$121,122
	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$4,000
	<hr/> <hr/>

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

This page intentionally left blank.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 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 and Investments

The accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively.

The accounting basis values certificates of deposit at cost.

D. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are 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, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise funds (Continued)

Water 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 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. 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 re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Authority's accounting basis does not reflect a liability for unpaid leave.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

The Authority may invest in certificates of deposit.

The Authority maintains a cash pool all funds use. The carrying amount of cash at December 31 follows:

	2005	2004
Demand deposits	\$57,002	\$121,122
Certificates of deposit	75,834	
Total deposits	\$132,836	\$121,122

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Authority.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004, follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	\$13,193	\$13,193	\$0
Enterprise	143,156	145,580	2,424
Total	\$156,349	\$158,773	\$2,424

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
Special Revenue	\$13,193	\$12,756	\$437
Enterprise	248,642	134,303	114,339
Total	\$261,835	\$147,059	\$114,776

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	\$157,340	\$130,081	(\$27,259)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
Enterprise	\$271,797	\$152,839	\$118,958

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The Authority contributed an amount equal to 13.55 percent of participants' gross salaries. The Authority has paid all contributions required through December 31, 2005.

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 received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**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***

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, 2005 and 2004, and have issued our report thereon dated April 18, 2006, wherein we noted the Authority 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 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 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 Authority's internal control over financial reporting to determine our auditing procedures in order 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 Authority's management dated April 18, 2006, 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 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Authority's management dated April 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Ohio-Lee Township Water and Sewer Authority
Monroe County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the 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

April 18, 2006

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

**SCHEDULE OF PRIOR AUDIT FINDING
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 5705.41(B) for actual expenditures exceeding budgeted appropriations in several functions.	Yes	N/A.



**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

**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
MAY 30, 2006**