



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MONROE WATER SYSTEM
MONROE COUNTY**

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OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

Monroe Water System
Monroe County
43022 Six Points Rd., P.O. Box 15
Laings, Ohio 43752

To the Board of Trustees:

We have audited the accompanying financial statement of Monroe Water System, Monroe County, Ohio (the Water System), as of and for the years ended December 31, 2001 and 2000. This financial statement is the responsibility of the Water System's management. Our responsibility is to express an opinion on this financial statement 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 Water System, prepares its financial statement 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 statement referred to above presents fairly, in all material respects, the cash balance of the Monroe Water System, Monroe County, as of December 31, 2001 and 2000, 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 May 20, 2002 on our consideration of the Water System'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 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.

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Jim Petro
Auditor of State

May 20, 2002

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**MONROE WATER SYSTEM
MONROE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Operating Cash Receipts:		
Charges for Services	\$768,946	\$775,664
Miscellaneous	5,760	3,239
	774,706	778,903
Operating Cash Disbursements:		
Personal Services	155,022	145,484
Utilities	57,369	59,852
Repairs and Maintenance	36,650	20,475
Testing and Licences	5,073	1,315
Other Contractual Services	4,043	9,689
Chemicals and Operating Supplies	99,970	77,116
Office Supplies and Materials	8,131	15,195
Insurance	25,630	27,474
Miscellaneous	772	675
	392,660	357,275
Operating Income/(Loss)	382,046	421,628
Non-Operating Cash Receipts:		
Interest	10,661	13,035
	10,661	13,035
Non-Operating Cash Disbursements:		
Debt Service	297,669	303,910
Other Non-Operating Cash Disbursements	100,926	28,343
	398,595	332,253
Net Receipts Over/(Under) Disbursements	(5,888)	102,410
Cash Balance, January 1	573,409	470,999
Cash Balance, December 31	\$567,521	\$573,409

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

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**MONROE WATER SYSTEMS
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Monroe Water System, Monroe County (the Water System), 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 Water System was established as a separate political subdivision of the State of Ohio under provision of Chapter 6119 of the Ohio Revised Code. The Water System is directed by an appointed seven-member Board of Trustees and an appointed Business Manager. The Board members are appointed by the Monroe County Common Pleas Court Judge. The Water System provides water services to residents of the Water System.

The Water System's management believes this financial statement presents all activities for which the Water System is financially accountable.

B. Basis of Accounting

This financial statement follows 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.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Budgetary Process

Note: Under HB 262, effective for fiscal years ending December 2000 and subsequent, Water and Sewer Systems not levying property taxes must follow most of the Ohio Revised Code Chapter 5705 budget requirements, but need not seek approval of a County Budget Commission for any budgetary actions. These Systems must:

HB 262 Requirements	Applicable ORC Section	Applicable OCS Section
Estimate receipts and adopt an operating budget	5705.28(B)(2)(a)	Comparable to 1-1
Prepare certificate of estimated resources (but does not require budget commission approval).	5705.36	1-4
Must amend estimated resources under the circumstances described in the OCS (also see ADAM 97-05).	5705.36	1-5
Appropriate at the minimum level of control prescribed by 5705.38(C) (or a lower level). No budget commission approval required.	5705.38	1-6
Cannot appropriate more than estimated resources	5705.28(B)(2)(c)	Comparable to 1-7
Must amend appropriations if they intend to spend more than the original appropriation.	5705.40	1-8
Cannot disburse or encumber more than appropriated.	5705.41(B)	1-9
Must certify the availability of funds.	5705.41(D)	1-9
May issue blanket or super blanket purchase orders.	5705.41(D)	1-10

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

**MONROE WATER SYSTEMS
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. 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 Water System to reserve (encumber) appropriations when commitments are made.

A summary of 2001 and 2000 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.

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Water System's basis of accounting.

2. CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$567,521</u>	<u>\$573,409</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation and/or (2) collateralized by the financial institution's public entity deposit pool.

**MONROE WATER SYSTEMS
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000**

3. BUDGETARY ACTIVITY

Budgeted vs. Actual Receipts		
Fund Type	2001	2000
Budgeted Receipts	\$753,050	\$702,700
Actual Receipts	785,367	791,938
Variance	\$32,317	\$89,238

Budgeted vs. Actual Expenditures		
Fund Type	2001	2000
Appropriation Authority	\$753,050	\$702,700
Actual Expenditures	791,255	689,528
Variance	(\$38,205)	\$13,172

4. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Authority Loans	\$3,122,219	0-7.89%
Water Resources Revenue Bonds	112,475	7.25%
Ohio Public Works Commission Loan	12,162	0.00%
Total	\$3,234,694	

There were six outstanding loans with the Ohio Water Development Authority (OWDA) for water line construction, which were long term, issued up to twenty-five years. The loans are collateralized by water receipts. The Water System has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Water System issued water resource revenue bonds to finance the expansion of its water lines. The bonds were issued in October 9, 1992 for \$204,500 and have maturities through December 1, 2012. These bonds are collateralized by the future revenues from the Water System's water operations.

The Ohio Public Work Commission (OPWC) Loan is a twenty year loan obtained for the purpose of constructing a new water well. Revenue of the Water System has been pledged to repay this loan.

**MONROE WATER SYSTEMS
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000**

4. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans	Water Resources Revenue Bond	OWPC Loan
2002	\$272,075	\$18,379	\$973
2003	272,075	17,638	973
2004	272,075	16,897	973
2005	272,075	16,155	973
2006	272,075	15,414	973
2007-2019	2,804,408	76,918	7,297
Total	<u>\$4,164,783</u>	<u>\$161,401</u>	<u>\$12,162</u>

The Water System has utilized trustees to service the water resource revenue bonds for water line construction. Payments to trustees are recorded as expenditures in the year deposited with the trustee. The Water System annually submits the amount of principal and interest due to the trustee bank, there are no investment services are provided by the trustee.

5. RETIREMENT SYSTEMS

The Township's officials and employee belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participant's gross salaries. The Township has paid all contributions required through December 31, 2001.

**MONROE WATER SYSTEMS
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000**

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Water System also provides health insurance coverage for full-time employees through a private carrier.

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

Monroe Water System
Monroe County
43022 Six Points Rd., P.O. Box 15
Laings, Ohio 43752

To the Board of Trustees:

We have audited the accompanying financial statement of Monroe Water System, Monroe County (the Water System), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 20, 2002. 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 Water System's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Water System in a separate letter dated May 20, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement 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 do not require inclusion in this report, that we have reported to management of the Water System in a separate letter dated May 20, 2002.

Monroe Water System
Monroe County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

May 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MONROE WATER SYSTEMS

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
JULY 9, 2002**