



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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 statement of the Ohio-Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2001 and 2000. This financial statement is the responsibility of the Authority'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 Authority 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 Ohio-Lee Township Water and Sewer Authority, 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 January 23, 2002, 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 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.

Jim Petro
Auditor of State

January 23, 2002

**OHIO-LEE TOWNSHIP WATER AND SEWER AUTHORITY
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	\$136,249	\$132,555
Miscellaneous	2,595	2,284
	<u>138,844</u>	<u>134,839</u>
Operating Cash Disbursements:		
Personal Services	55,862	55,652
Contractual Services	2,656	6,635
Supplies and Materials	14,981	3,973
Utilities	14,755	13,192
Equipment		6,980
Engineering	975	5,446
Other Expenses	14,924	23,036
	<u>104,153</u>	<u>114,914</u>
Total Operating Cash Disbursements		
	<u>104,153</u>	<u>114,914</u>
Operating Income/(Loss)	<u>34,691</u>	<u>19,925</u>
Non-Operating Cash Receipts:		
Proceeds from Sale of Public Debt:		
Sale of Notes	31,907	35,579
	<u>31,907</u>	<u>35,579</u>
Total Non-Operating Cash Receipts		
	<u>31,907</u>	<u>35,579</u>
Non-Operating Cash Disbursements:		
Debt Service	36,707	40,379
Other Non-Operating Cash Disbursements	50	175
	<u>36,757</u>	<u>40,554</u>
Total Non-Operating Cash Disbursements		
	<u>36,757</u>	<u>40,554</u>
Net Receipts Over/(Under) Disbursements	<u>29,841</u>	<u>14,950</u>
Cash Balance, January 1	<u>81,095</u>	<u>66,145</u>
Cash Balance, December 31	<u>\$110,936</u>	<u>\$81,095</u>

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio-Lee Township Water and Sewer Authority, Monroe County (the Authority), 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 Authority is directed by a five-member Board of Trustees. Each Board member is appointed by the Monroe County Common Pleas Court Judge. The Authority provides water services to residents of Ohio and Lee Townships.

The Authority's management believes this financial statement presents all activities for which the Authority 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. Deposits and Investments

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Budgetary Process

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

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. 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.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. The Authority did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. 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 statement.

F. 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 Authority's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Authority invested in certificates of deposit. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$110,936	\$47,952
Certificates of deposit		33,143
Total deposits	\$110,936	\$81,095

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation. At December 31, 2001, \$10,936 of deposits were not insured or collateralized, contrary to Ohio law. The Authority subsequently obtained sufficient pledged collateral to secure its beginning year 2002 deposits.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000, follows:

Budgeted vs. Actual Receipts		
	2001	2000
Budgeted Receipts	\$135,000	\$135,000
Actual Receipts	170,751	170,418
Variance	\$35,751	\$35,418

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 200
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures		
	2001	2000
Appropriation Authority	\$119,300	\$138,000
Budgetary Expenditures	140,910	155,468
Variance	(\$21,610)	(\$17,468)

Contrary to Ohio law, budgetary expenditures exceeded the Authority's appropriation authority within various functions for the years ended December 31, 2001 and 2000.

4. DEBT

Debt outstanding at December 31, 2001, was as follows:

	Principal	Interest Rate
Note Debt	\$30,277	4.95%

The Authority has a one year note with Citizens National Bank that was originally obtained in 1992 in the amount of \$56,089 for the purpose of paying an old loan and to pay a consulting engineer. The Authority has been renewing this note on an annual basis. The note is collateralized solely by revenues from the Authority's water operation.

5. RETIREMENT SYSTEM

The Authority's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 Authority contributed an amount equal to 13.55% of participants' gross salaries 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 participants' gross salaries. For 2001, the Authority contributed an amount equal to 13.55% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2001.

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

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 200
(Continued)**

6. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks:

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



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statement of Ohio-Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated January 23, 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 Authority'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-61056-001 and 2001-61056-002. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Authority in a separate letter dated January 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 Authority in a separate letter dated January 23, 2002.

Ohio-Lee Township Water and Sewer Authority
Monroe County
Report of Independent Accountants on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended solely 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.

Jim Petro
Auditor of State

January 23, 2002

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-61056-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Expenditures exceeded budgeted amounts in the following functions and amounts:

Function	December 31, 2001	December 31, 2000
Supplies and Materials	\$9,981	
Equipment		\$2,980
Utilities	\$755	
Debt Service	\$31,907	\$35,579
Fees and Other	\$50	\$175
Other Expenses	\$1,924	\$14,336

We recommend the Board of Trustees monitor all function level expenditures to ensure they remain within their respective budgeted amounts. The above noted variances within the debt service function is the direct result of audit adjustments made to the Authority's financial statement by the Auditor of State due to the Authority not recording or budgeting for the note debt rollover. We recommend the Authority follow Auditor of State Bulletin 97-010 for guidance when they rollover short-term notes.

FINDING NUMBER 2001-61056-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2001-61056-002
(Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(D) (Continued)

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the order or contract was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

No fiscal officer certification of available funds was noted for any tested expenditure.

We recommend the Authority's fiscal officer certify the availability of funds and encumber them prior to the date of the invoice.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-61056-001	Ohio Rev. Code Section 2921.43 for additional employee compensation of a Board member.	No	Partially corrected; We reported this finding in the management letter.
1999-61056-002	Ohio Rev. Code Section 102.03 for no voting abstention on additional employee compensation of a Board member.	Yes	N/A
1999-61056-003	Finding for Recovery against a Board member for unpaid water bills.	Yes	N/A
1999-61056-004	Reportable condition regarding monitoring of utility department activity.	Yes	N/A
1999-61056-005	Reportable condition regarding adjustments to the annual financial statements.	No	Partially corrected; We reported this finding in the management letter.
1999-61056-006	Reportable condition regarding water service contracts.	Yes	N/A



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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
MARCH 12, 2002**