



**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet - As of December 31, 1998	3
Statement of Revenues, Expenses and Changes in Retained Earnings - For The Year Ended December 31, 1998	4
Statement of Revenues, Expenditures and Changes in Fund Equity Budget (Non-GAAP Basis) and Actual - For The Year Ended December 31, 1998	5
Statement of Cash Flows - For The Year Ended December 31, 1998	6
Notes to the General Purpose Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Jefferson Regional Water Authority
Montgomery County
P.O. Box 369
Miamisburg, Ohio 45342

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Jefferson Regional Water Authority (the Authority), as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards 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 disclosed in note 3, the Authority changed its accounting basis generally accepted accounting principles as of January 1, 1998.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Regional Water Authority as of December 31, 1998, and the results of its operations and cash flows of its enterprise fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 6, 2000, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 6, 2000

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 1998**

Assets

Current Assets

Cash and Cash Equivalents	\$375,945
Receivables:	
Accounts	76,510
Materials and Supplies Inventory	16,547
Prepaid Items	1,645
Restricted Assets:	
Cash and Cash Equivalents	165,210
Fixed Assets, Net of Accumulated Depreciation	<u>3,277,843</u>

Total Assets \$3,913,700

Liabilities and Fund Equity

Liabilities

Accounts Payable	\$5,377
Accrued Wages	4,795
Intergovernmental Payable	5,258
Payable from Restricted Assets:	
FMHA Loan Payable	4,793
Accrued Interest Payable	30,417
Compensated Absences Payable	1,236
FMHA Loan Payable	1,820,207
OWDA Loan Payable	<u>591,425</u>

Total Liabilities 2,463,508

Fund Equity

Retained Earnings:

Reserved for FMHA Loan	
Replacement and Improvement	130,000
Unreserved	<u>1,320,192</u>

Total Fund Equity 1,450,192

Total Liabilities and Fund Equity \$3,913,700

See accompanying notes to the financial statements

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1998**

Operating Revenues:	
Charges for Services	\$497,063
Tap-in Fees	29,200
Other Operating Revenues	<u>18,596</u>
Total Operating Revenues	<u>\$544,859</u>
Operating Expenses:	
Personal Services	125,505
Contractual Services	93,265
Materials and Supplies	20,042
Other	7,239
Depreciation	<u>131,326</u>
Total Operating Expenses	<u>377,377</u>
Operating Income	<u>167,482</u>
Nonoperating Revenues (Expenses):	
Interest	16,792
Interest and Fiscal Charges	<u>(138,280)</u>
Total Nonoperating Revenues (Expenses)	<u>(121,488)</u>
Net Income	45,994
Retained Earnings Beginning of Year - Restated (Note 3)	<u>1,404,198</u>
Retained Earnings End of Year	<u><u>\$1,450,192</u></u>

See accompanying notes to the financial statements

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$501,850	\$494,180	(\$7,670)
Tap-in Fees	19,980	29,200	9,220
Interest	8,200	18,714	10,514
Other Operating Revenues	450	18,596	18,146
 Total Revenues	 530,480	 560,690	 30,210
 Expenses:			
Personal Services	149,480	120,748	28,732
Contractual Services	93,100	89,610	3,490
Materials and Supplies	26,100	40,075	(13,975)
Other	4,700	7,239	(2,539)
Debt Service:			
Principal Retirement	0	57,038	(57,038)
Interest and Fiscal Charges	139,541	138,946	595
 Total Expenses	 412,921	 453,656	 (40,735)
 Excess of Revenues Over Expenses	 117,559	 107,034	 (10,525)
 Fund Equity Beginning of Year	 434,121	 434,121	 0
 Fund Equity End of Year	 \$551,680	 \$541,155	 (\$10,525)

See accompanying notes to the financial statements

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$494,180
Other Operating Revenues	47,796
Cash Payments for Employee Services and Benefits	(120,748)
Cash Payments to Suppliers for Goods and Services	(109,398)
Other Operating Expenses	<u>(7,239)</u>
Net Cash Provided by Operating Activities	<u>304,591</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Principal Paid on ODWA Loan Payable	(17,038)
Principal Paid on FMHA Loan Payable	(40,000)
Interest Paid on ODWA Loan Payable	(45,696)
Interest Paid on FMHA Loan Payable	(93,250)
Acquisition of Capital Assets	<u>(20,287)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(216,271)</u>
 <u>Cash Flows from Investing Activities:</u>	
Interest	<u>18,714</u>
Net Cash Provided by Investing Activities	<u>18,714</u>
Net Increase in Cash and Cash Equivalents	107,034
Cash and Cash Equivalents Beginning of Year	<u>434,121</u>
Cash and Cash Equivalents End of Year	<u><u>\$541,155</u></u>
 <u>Reconciliation of Operating Income to</u> <u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$167,482
 <u>Adjustments to Reconcile Operating Income</u> <u>to Net Cash Provided by Operating Activities:</u>	
Depreciation	131,326
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(2,883)
Increase in Materials and Supplies Inventory	(272)
Increase in Prepaid Items	(266)
Increase in Accounts Payable	4,929
Decrease in Contracts Payable	(262)
Increase in Accrued Wages	481
Increase in Intergovernmental Payable	3,828
Increase in Compensated Absences Payable	<u>228</u>
Total Adjustments	<u>137,109</u>
Net Cash Provided by Operating Activities	<u><u>\$304,591</u></u>

See accompanying notes to the general purpose financial statements

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

1. REPORTING ENTITY

The Jefferson Regional Water Authority (the "Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by Ohio Revised Code Chapter 6119. The Authority was organized to provide water services to members of the district. The Authority is directed by a nine-member Board of Trustees elected, for a three-year term, by the members of the district. The board has complete authority over all aspects of the operation.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Authority are not misleading. The primary government consists of all departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or is obligated for the debt of the organization. Component units also includes organizations that are fiscally dependent on the Authority in that the Authority approves the organization's budget, the issuance of its debt or levying of its taxes. The Authority has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

All transactions of the Authority are accounted for in a single enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The Authority does not have contributed capital. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The Authority follows the accrual basis of accounting whereby revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year-end.

B. Budgetary Accounting

Although not required under the Ohio Revised Code, an annual operating budget is adopted for management purposes. Budgetary control is exercised at the object level. Budget information is reported to the Board of Trustees. Budgetary modifications may only be made by resolution of the Board of Trustees. As part of budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported in the notes to the financial statements. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

C. Cash and Cash Equivalents

Cash balances of the Authority are invested in short-term investments in order to provide improved cash management. These balances are presented on the balance sheet in the account "Cash and Cash Equivalents." During 1998, investments included nonnegotiable certificates of deposit.

Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with an initial maturity of three months or less are considered to be cash equivalents.

D. Inventory of Supplies

Inventory of the enterprise fund is stated at the lower of cost or market. The costs of inventory items are recorded as expenses in the enterprise fund when used.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

F. Fixed Assets and Depreciation

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The Authority maintains a capitalization threshold of five hundred dollars.

Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Buildings	40 years
Equipment	10 years
Vehicles	5 years
Machinery	10 years

G. Compensated Absences

The Authority follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences." The Authority only has one type of leave, "paid time off" (PTO). Unused leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the Authority will compensate the employee for the benefits through paid time off or some other means.

The Authority records a liability for all accumulated unused leave time when earned for all employees with more than one year of service. These amounts are recorded in the account "compensated absences payable."

H. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

3. CHANGE IN ACCOUNTING BASIS AND RESTATEMENT OF FUND EQUITY

For the year ended December 31, 1998, the Authority has presented for the first time financial statements in accordance with generally accepted accounting principles. In conjunction with this presentation, the Authority has changed its basis of accounting from a cash basis to the accrual basis. This change required that certain adjustments be recorded to the January 1, 1998, retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatement to the retained earnings caused the previously reported balance of \$434,121 to be increased by \$970,077 to \$1,404,198.

4. DEPOSITS AND INVESTMENTS

The investments and deposits of the Authority's monies are governed by the Ohio Revised Code. State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits

At year end, the carrying amount of the Authority's deposits was \$541,155 and the bank balance was \$569,783. Of the bank balance, \$229,087 was covered by federal depository insurance, and \$340,696 was uninsured and uncollateralized. Although the securities serving as collateral was held by the pledging financial institutions' trust department in the Authority's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3, "Deposits with Financial Instruments, Investments and Reverse Repurchase Agreements," requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. The Authority does not have any investments.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

5. ACCOUNTS RECEIVABLE

Accounts receivable represent monies due from customers for their portion of water services. No allowance for doubtful accounts has been recorded as all amounts are considered collectible.

6. FIXED ASSETS

A summary of the Authority's fixed assets at December 31, 1998, follows:

	1998
Land	\$110,816
Infrastructure	4,200,114
Buildings	748,343
Equipment	16,476
Vehicles	9,339
Machinery	40,998
Total	5,126,086
LESS: Accumulated Depreciation	(1,848,243)
Total	\$3,277,843

7. LOANS PAYABLE

The Authority had the following loans outstanding at December 31, 1998.

	Balance at 12/31/97	Additions	Deletions	Balance at 12/31/98
FMHA Loan, 1982, 5.00%	\$1,865,000	\$0	\$40,000	\$1,825,000
OWDA Loan, 1991, 7.51%	608,463	0	17,038	591,425
Totals	\$2,473,463	\$0	\$57,038	\$2,416,425

FMHA Loan 1982-The loan was issued on September 1, 1982, for a period of 40 years with an interest rate of 5.00 percent. The original issue was for \$2,232,000. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

OWDA Loan 1991-The loan was issued on July 1, 1991, for a period of 25 years in the amount of \$698,674 with an interest rate of 7.51 percent. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

The annual debt service requirements for payment of principal and interest at December 31, 1998 are as follows:

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

7. LOANS PAYABLE (Continued)

FMHA Loan 1982

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$40,000	\$91,250	\$131,250
2000	45,000	89,250	134,250
2001	45,000	87,000	132,000
2002	45,000	84,750	129,750
2003	50,000	82,500	132,500
2004-2008	290,000	372,750	662,750
2009-2013	365,000	292,750	657,750
2014-2018	475,000	191,250	666,250
2019-2022	470,000	60,000	530,000
Totals	<u>\$1,825,000</u>	<u>\$1,351,500</u>	<u>\$3,176,500</u>

OWDA Loan 1991

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$18,317	\$44,416	\$62,733
2000	19,693	43,040	62,733
2001	21,172	41,562	62,734
2002	22,762	39,972	62,734
2003	24,471	38,262	62,733
2004-2008	152,843	160,824	313,667
2009-2013	219,527	94,133	313,660
2014-2016	112,640	12,825	125,465
Totals	<u>\$591,425</u>	<u>\$475,034</u>	<u>\$1,066,459</u>

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries liability insurance with Swartzel/Affiliated Insurance. The Authority pays an annual premium for this coverage.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

8. RISK MANAGEMENT (Continued)

The following is a list of insurance coverage and deductibles for 1998:

<u>Coverage</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$1,313,479	\$500
General Liability	1,000,000	0
Computer Equipment	3,500	250
Inland Marine	73,964	250
Automobile:		
Liability	3,000,000	None
Comprehensive	Actual Cash Value	50
Collision	Actual Cash Value	250

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

9. PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations, and the Authority is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended December 31, 1998, 1997, and 1996, were \$8,462, \$7,777, and \$8,131, respectively, 94.31 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. \$482 representing the unpaid contribution for fiscal year 1999, is recorded as a liability.

10. PUBLIC EMPLOYEES RETIREMENT SYSTEM POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

10. PUBLIC EMPLOYEES RETIREMENT SYSTEM POSTEMPLOYMENT BENEFITS (Continued)

For 1998, benefits are funded on a pay-as-you-go basis. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The Authority's actual contributions for 1998 which were used to fund OPEB were \$3,801.

11. OTHER EMPLOYEE BENEFITS

1. Deferred Compensation Plan

The Authority's employees participate in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

2. Insurance Benefits

The Authority pays 100% of health care premiums for all full time employees. Health insurance coverage is provided by United Healthcare of Ohio, Inc.

3. Compensated Absences

The Authority's employees earn paid time off (PTO) leave based on length of service. Employees may accrue an unlimited amount of PTO days. In the event of a termination of employment, death or retirement, the employee (or the estate) would be paid for unused leave. The total obligation for leave accrual for the Authority amounted to \$1,236 at December 31, 1998.

12. BUDGETARY BASIS OF ACCOUNTING

While the Authority is reporting financial position, results of operations, and changes in retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998
(Continued)**

12. BUDGETARY BASIS OF ACCOUNTING (Continued)

3. The acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
4. Principal payments made on the OWDA and FMHA loan payable are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements.

Net Income/Excess of Revenues Over Expenses	
GAAP Basis	\$45,994
Net Adjustment for Revenue Accruals	(961)
Net Adjustment for Expense Accruals	7,462
Principal Payment	(57,038)
Capital Asset Acquisitions	(20,287)
Prepaid Items	266
Material and Supplies Inventory	272
Depreciation	<u>131,326</u>
Budget Basis	<u><u>\$107,034</u></u>

13. LITIGATION

There are currently no matters in litigation with the Authority as defendant.

14. NONCOMPLIANCE

The Authority did not comply with Ohio Rev. Code Section 117.38 regarding completion and publishing of an annual report.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Jefferson Regional Water Authority
Montgomery County
P.O. Box 369
Miamisburg, Ohio 45342

To the Board of Trustees:

We have audited the financial statements of Jefferson Regional Water Authority (the Authority), as of and for the year ended December 31, 1998, and have issued our report thereon dated September 6, 2000, wherein we noted that the Authority has changed its accounting basis to generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards 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 statements are 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1998-60357-001.

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 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated September 6, 2000.

This report is intended for the information and use of management and 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", with a large, stylized loop at the end.

Jim Petro
Auditor of State

September 6, 2000

**JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998**

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

Finding Number	1998-60357-001	Report Level Citation
-----------------------	-----------------------	------------------------------

Ohio Rev. Code Section 117.38 requires GAAP-basis entities to file unaudited financial reports with the Auditor of State's Office within 150 days of fiscal year end. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The financial report for the year ended December 31, 1998, was not filed until July 12, 2000, and the required public notice was not published. The Authority should develop and implement procedures to ensure that the financial report is prepared and filed timely, and the required notice is published to provide notice that the report is available for public inspection. Additionally, timely reporting should provide improved information for financial decision making purposes.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

JEFFERSON REGIONAL WATER AUTHORITY

MONTGOMERY 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 10, 2000**