



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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**SCHEDULE OF ELECTED OFFICIALS
As of December 31, 1999**

VILLAGE OF CORWIN

<u>VILLAGE COUNCIL MEMBERS</u>	<u>TERM ENDING</u>	<u>BOND</u>
Mr. Dennis Oszakiewski	12/31/03	N/A
Mr. Patrick B. Powers	12/31/03	N/A
Mr. George Campbell	12/31/01	N/A
Ms. Cheryl Davidson	12/31/01	N/A
Mr. Lindsey Hatton	12/31/01	N/A
Ms. Susan Ghearing	12/31/01	N/A
<u>OTHER PERSONNEL</u>		
Beverly Campbell, Clerk/Treasurer	12/31/03	\$15,000 (1)
Howard Purkey, Jr., Mayor	12/31/03	N/A

(1) Western Surety Company (Bond only covers one year and is renewed yearly. The bond expired on October 23, 2000.)

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STATE OF OHIO
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Report of Independent Accountants

Honorable Howard W. Purkey
Mayor

Beverly Campbell
Clerk/Treasurer

Members of Village Council
Village of Corwin
P.O. Box 684
Corwin, Ohio 45068

We have conducted a "Special Audit" and performed the procedures summarized below and detailed in our "Supplement to the Special Audit Report," which were agreed to by you for the period January 1, 1997 through December 31, 1999 ("the Period"). These procedures were performed solely to obtain an understanding of the Village of Corwin's ("the Village") utility operations, to identify whether the Village collected tap-in fees for new connections to the water and sewer system within the Village limits; whether the Village remitted the tap-in fees collected to the Warren County Water and Sewer Department ("Warren County") in accordance with the contract; and whether the residents in the Village receiving water and sewer services were billed for services received. This engagement to apply procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

1. We obtained an understanding of the Village's utility operations including establishment of water and sewer rates, preparation of utility bills and collection of residents' payments. We also gained an understanding of the process for establishing water and sewer tap-in permit fees, the process for securing a tap-in permit, collection of tap-in fees from property owners, and the remittance of fees from the Village to Warren County.
2. We reviewed building permits issued to Village residents by the Warren County Building Department to calculate the potential amount of water and sewer tap-in fees to be remitted to Warren County for the Period.
3. We reviewed water and sewer tap-in permits issued to Village residents by the Village to calculate the potential amount of fees which should have been remitted to Warren County for the Period.
4. We reviewed the Village's records and identified the amount collected by the Village for water and sewer tap-in permits issued during the Period. We compared the amount collected to the amount calculated as due in Issue No. 3. We compared the amount of tap-in fees due to Warren County to the amount remitted to Warren County to verify whether all monies due were remitted.
5. We reviewed the properties within the Village's corporation limits to identify whether residents receiving Village water and sewer services were billed by Warren County for services received.

6. On September 10, 2001, we held an exit conference with the following Officials representing the Village:

Howard Purkey, Jr., Mayor
Beverly Campbell, Clerk/Treasurer
Cheryl Davidson, Council Member
Lindsey Hatton, Council Member
Patrick B. Power, Council Member
Susan K. Ghearing, Council Member
Dennis Oszakinski, Council Member
David Thompson, Financial Supervisor - Fiscal Emergency

The attendees were given an opportunity to respond to this Special Audit. We received a response from the Village and changes were made to the report as we deemed appropriate.

Our detailed procedures and the results of applying these procedures are contained in the attached "Supplement to the Special Audit Report." Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the Village's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to transactions relating to the above procedures and does not extend to any financial statements of the Village taken as a whole.

This report is intended for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.

Jim Petro
Auditor of State

June 5, 2001

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

BACKGROUND

In 1997, the Village of Corwin (“the Village”) contracted with the Warren County Water and Sewer Department (“Warren County”) to outline the terms and conditions for connecting into the Massie-Wayne Water and Sewer District, part of the Warren County Water and Sewer System. The Massie-Wayne Water and Sewer District in turn utilizes the Village of Waynesville’s water and sewer operations to provide water and sewer services to the Village, the Village of Harveysburg, and the unincorporated areas of Wayne and Massie Townships east of the Little Miami River. Warren County agreed to remit water and sewer fees and tap-in fees received from the Village to the Village of Waynesville to compensate Waynesville for the provision of water and sewer services to Corwin.

The contract between Warren County and the Village provided for the Village to purchase water and sewer services from the Village of Waynesville. The Village’s responsibilities included collecting sewer tap-in fees and utility service fees for residential and commercial water and sewer usage. The prior water service contract between the Village and Warren County expired December 13, 1998 and did not require collection and remittance of a water tap-in fee by the Village to Warren County. As a result, there was no water service contract between the Village and Warren County for the period December 14, 1998 to December 19, 2000 that mandated the collection and remittance of a water tap-in fee by the Village to Warren County. During this period, the Village and Warren County were negotiating a new water service contract. However, in February 1999, the Village began collecting water tap-in fees from Village residents based on a January 5, 1999 contract approved by Warren County and the Village of Waynesville. On December 19, 2000, the Village and Warren County signed a water service contract; however, the contract was not clear as to the Village’s obligation to remit to Warren County any water tap-in fees collected during the period December 14, 1998 to December 19, 2000. Sewer tap-in fees were to be remitted to Warren County based on a rate schedule established in the sewer contract. In addition, Warren County read the master meters for water and sewer placed at the Village corporation limits and subsequently billed the Village for the water and sewer usage of the Village as a whole. The Village was responsible for billing its residents for each property owner’s water and sewer usage. Once payment was received from the Village, Warren County remitted the monies to the Massie-Wayne Water and Sewer District for the purchased services.

Effective April 30, 1998, Mr. Jerry Cornely, Village Clerk/Treasurer, resigned his position due to health reasons. The Village appointed Mrs. Beverly Campbell, Clerk/Treasurer in October 1998. During the period of April 30, 1998, until the appointment of Mrs. Campbell as Clerk/Treasurer, the Mayor read the water meters, billed the residents, and collected utility payments.

On May 20, 1998, the Local Governments Services Division of the Auditor of State’s office performed a review of the financial condition of the Village. Following the review, the Village was placed in fiscal watch status as outlined in Ohio Rev. Code Section, 118.022 (A) (2) since the Village had deficit fund balances in existence on December 31, 1997. In July 1998, a performance audit of the Village was conducted and identified options for revenue enhancements, assessed operations and made specific recommendations to improve the Village’s operations. A second review of the Village’s finances was performed by Local Government Services Division and a report released on November 12, 1998 stated the Village was in fiscal emergency as the Village was unable to pay its monthly bills.

In July 1999, the Village and Warren County verbally agreed that Warren County would read the meters, bill the residents, collect payments and fix leaks in the water and sewer lines. On December 19 and 28, 2000, the Village and Warren County signed contracts which provided for water and sewer services, respectively, and the related tap-in fees to be collected by the Village and remitted to Warren County.

In December 1999, Dave Thompson, Fiscal Emergency Supervisor, contacted the auditors performing the financial audit and informed the auditors there was a \$1,500 sewer tap-in fee received by the Mayor which had not been recorded in the Village’s books or deposited in the Village’s bank account. Mr. Thompson indicated that Mrs. Campbell, the Clerk/Treasurer provided this information. She indicated the tap-in fee was for Menker’s Bikeway Café and that she had attempted to collect the sewer tap-in fee.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Mrs. Campbell, stated she re-billed Menker's Bikeway Café (the Café) for the sewer tap-in fee when the first bill became delinquent. When payment was not received for the second bill, Mrs. Campbell visited the Café and spoke with Mr. Jim Menker, owner of the Café who stated he had paid Mayor Purkey. Mrs. Campbell stated she asked Mayor Purkey whether the Café had paid its sewer tap-in fee and Mayor Purkey indicated the tap-in fee had been paid and he would present the money to her at a later date.

We conducted a telephone interview with Mr. Menker who indicated in October 1999 he entered into a verbal agreement with Mayor Purkey. The verbal agreement provided Mayor Purkey would pay half of the contractor's cost to tap-in into the sewer system so he could tap-in at a later date. Mr. Menker stated Mayor Purkey indicated his share of the cost included the \$1,500 sewer tap-in fee. On January 10, 2000, Mayor Purkey remitted \$1,500 for the sewer tap-in fee to the Village.

The above information and the preliminary results of the performance audit and regular financial audit for years ending December 31, 1997 and 1998 were presented to the Auditor of State Special Audit Committee for its consideration. On December 21, 1999, the Committee voted to initiate a special audit of the Village of Corwin.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 1 - Obtaining an Understanding of Utility Department Operations

We obtained an understanding of the Village's utility operations including establishment of water and sewer rates, preparation of utility bills, and collection of residents' payments. We also gained an understanding of the process for establishing of water and sewer tap-in permit fees, the process for securing a tap-in permit, collection of tap-in fees from property owners, and the remittance of fees from the Village to Warren County.

Procedures

1. We obtained a copy of the minutes, resolutions and/or ordinances effective during the Period governing the operations of the Village Utilities Department.
2. We obtained a copy of the contracts in effect during the Period between the Village and Warren County to identify the water and sewer tap-in fees to be collected and remitted to Warren County.
3. We interviewed Mayor Howard Purkey to obtain an understanding of the Village's processes for establishing rates for water and sewer services and tap-in permits, preparing the utility bills, collecting payments for utility bills from the residents, issuing tap-in permits, collecting tap-in fees, and remitting collections to Warren County.
4. We interviewed the Warren County Sanitary Engineer and the Warren County Water and Sewer Department Office Administrator to obtain an understanding of the relationship between Warren County and the Village for the operation of the Village's water and sewer system and the water and sewer tap-in fees collected by the Village to be remitted to Warren County.

Results

1. Minutes

A review of the meeting minutes, motions, ordinances, and resolutions during the Period for information relating to the Village's water and sewer rates billed and policies for the operation of the systems noted the following relevant proceedings:

- ▶ On December 8, 1997, the Village Council approved a \$25 disconnect fee when a resident does not pay his/her bill and a \$25 reconnect fee to restore service.
- ▶ On April 12, 1999, the Village Council approved a credit on water bills for new residents in the Furnas Forge subdivision who had been watering their sod since the usage was billed as water and sewer usage instead of just water usage.
- ▶ On June 14, 1999, the Village Council approved a Schedule of Fees and Charges which included the Village water and sewer usage rates and the fees for water and sewer tap-in permits.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Ordinances

Mrs. Campbell provided only Ordinance 99-100 and indicated she could not locate any other ordinances related to the Village water and sewer operations. Ordinance 99-100 was adopted on June 8, 1999 and was signed by the Mayor and the Clerk of Council. The Ordinance adopted a schedule of fees and charges for calendar year 1999. The Ordinance provided for a fee of \$1,500 for each water tap-in permit and \$1,500 for each sewer tap-in permit. There were no Council meeting minutes for June 8, 1999; however, the Council minutes indicate a similar resolution was adopted on June 14, 1999. In addition, the Ordinance did not list the vote of each council member present.

Resolutions

Mrs. Beverly Campbell, Clerk/Treasurer provided only two pertinent resolutions for our review, Resolutions 97-02 and 97-03.

Resolution 97-02

Resolution 97-02 was adopted on January 27, 1997 to authorize the Mayor “to enter into an agreement with the Warren County Board of Commissioners providing for a portion of the Village sanitary sewer tap-in fee to be apportioned for improvement of the sewer treatment facility operated by the Village of Waynesville as part of the Massie-Wayne Water and Sewer District for a three year period and further providing for the holding of said funds by the Warren County Board of Commissioners.”

The Village Council approved that these fees would be remitted “for each newly constructed property connecting to the Village sanitary sewer system and any new construction within the entire Furnas Forge project.”

The resolution indicated the following fees would be remitted to Warren County:

January 1, 1997 through December 31, 1997	\$ 750
January 1, 1998 through December 31, 1998	\$1,000
January 1, 1999 through December 31, 1999	\$1,300

We could not verify Council’s approval of this Resolution in the minutes because the January 1997 minutes were not available for review. In addition, the Resolution did not list the vote of each council member present.

Resolution 97-03

Resolution 97-03 was adopted on March 10, 1997 to document the “approval of certain conditions and agreements between the Village and Nick Peth,” developer of the Furnas Forge subdivision. The Resolution provided the following:

- ▶ The first 25 combined water and sewer tap-in fees billed to Mr. Peth would be \$750 for each combined tap-in.
- ▶ The remaining combined water and sewer tap-ins would be billed a fee of \$2,000.
- ▶ The Village would not increase the fee unless the costs incurred by the Village increased beyond \$2,000.
- ▶ If Warren County increased the fees due from the Village, the Village may increase the fees charged to Mr. Peth by the amount of the increase charged by the County.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We could not verify Council's approval of this Resolution in the minutes since the minutes did not mention this agreement with Mr. Peth. In addition, the Resolution did not list the vote of each council member present.

The Resolution indicated Mr. Ernie Tracy, then Council member, made the motion to adopt the resolution; however, Mr. Tracy was not listed in the minutes as present. As a result, we attempted to contact each of the Council members listed on the resolution to verify it was approved by Council.

Mr. Tracy indicated he was against "freezing the rates" for Mr. Peth and does not know why he would have made the motion. He does not remember ever missing a Council meeting and indicated the meeting may not have occurred.

Mr. Ray Lamb indicated he was sure he was at the 1997 meeting. However, he could not remember the details of the meeting or the resolution.

Mrs. Pat Crutchfield indicated she did not remember voting on the resolution.

We were unable to contact the remaining three council members.

2. The following is a summary of the relevant contracts and amendments approved by the Village and Warren County Commissioners during the Period:
 - A. On February 6, 1997, the Warren County Commissioners approved Resolution 97-180 to enter into a contract with the Village to provide sewer services. The contract indicates the Village passed Ordinance 96-162 authorizing the Mayor to enter into the agreement with the Warren County Commissioners. Mayor Purkey signed the contract approved by the Warren County Commissioners on February 6, 1997. Relevant contract provisions included:
 - Warren County agreed to accept and receive the sanitary sewage from the Village at two points of connection within the Village.
 - Owners of property within the Village had the right to connect to the sewer system.
 - The Village shall own, operate and maintain all sanitary sewer improvements (i.e. sewer lines) and shall service all sewer customers in the Village.
 - Meters shall be installed at the two points of connection with the County system for Warren County billing purposes.
 - The meter will be read by Warren County every two months and the Village will be billed for the sewage discharged at those points. The bill shall be paid in full by the twentieth day of the month or a 10% penalty will be added to the account.
 - The contract shall remain in effect until December 7, 2001.
 - B. On February 6, 1997, the Warren County Commissioners approved Resolution 97-179 which was an addendum to a contract approved on December 7, 1981 between the Village of Waynesville and Warren County. The amendment allowed for the billing of capacity fees for any individuals connecting to the sewer system operated by the Massie-Wayne Water and Sewer District. The Village of Corwin, Village of Waynesville and Warren County signed the agreement indicating these fees would be charged for any new connections to the system. A summary of the amendment is as follows:

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

“For any connection that occurs within the Village or the District, the following capacity fees shall be paid into a separate account to be maintained by the County:

- I. Beginning calendar year 1997, the sum of \$750.00 for each single-family equivalent residential unit.
 - II. Beginning calendar year 1998, the sum of \$1,000.00 for each single-family equivalent residential unit.
 - III. Beginning calendar year 1999, the sum of \$1,300.00 for each single-family equivalent residential unit.”
- C. On February 6, 1997, the Warren County Commissioners approved Resolution 97-181 to enter into a contract with the Village to provide water services. The contract indicates the Village passed Ordinance 96-161 authorizing the Mayor to enter into the agreement with the Warren County Commissioners. Mayor Purkey signed the contract approved by the Warren County Commissioners on February 6, 1997. The contract included the following relevant provisions:
- Warren County agreed to supply water to the Village at two points of connection within the Village. The water purchased by the Village was to be provided by the Village of Waynesville.
 - The Village shall own, operate and maintain all water system improvements and shall service all water customers in the Village.
 - Meters shall be installed at the two points of connection with the County system for Warren County billing purposes.
 - The meter will be read by Warren County every two months and the Village will be billed for the water received at those points. The bill shall be paid in full by the twentieth day of the month or a 10% penalty will be added to the account. The contract shall remain in effect until December 13, 1998.
- D. On January 5, 1999, the Warren County Commissioners approved Resolution 99-8 to enter into a contract with the Village of Waynesville to provide water services to the Villages of Corwin and Harveysburg and the unincorporated areas of Massie and Wayne Townships east of the Little Miami River. The contract included the following relevant provisions:
- Warren County agreed to maintain the water system and make repairs as necessary.
 - The Village of Waynesville would treat the water provided to the Village.
 - For each water service connection in the service area (as mentioned above), the County shall collect a County Water Service Area System Capacity Fee in the amount set forth in Exhibit “A”. Exhibit “A” provided the capacity fee to be charged for Fiscal Year 1999 of \$1,075.
 - The contract shall remain in effect for a period of ten years commencing January 1, 1999.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- E. On December 19, 2000¹, the Warren County Commissioners approved Resolution 00-2215 to enter into a contract with the Village to provide water services purchased from the Village of Waynesville. The contract indicates the Village passed Ordinance 2012 authorizing the Mayor to enter into the agreement with the Warren County Commissioners. Mayor Purkey signed the contract approved by the Warren County Commissioners on December 19, 2000. The contract included similar provisions as the contract in Result No. 2D and an additional provision in Section 14 as follows:

“For each new water service connection to the Village’s water system, the County will collect a County Water Service Area System Capacity Fee, as established by the January 5, 1999 Water Service Agreement between the County and the Village of Waynesville. For 1999, the County Fee is \$1,075 for each single-family residential unit or equivalent.”

- F. On December 28, 2000, the Warren County Commissioners approved Resolution 00-2259 to enter into a contract with the Village to provide sewer services. The contract indicated the Village passed Ordinance 2012 approving the Mayor to enter into the agreement with Warren County. Mayor Purkey signed the contract approved by the Warren County Commissioners on December 28, 2000. The contract provided “all owner of real property located within the Village shall have the right to connect into the sanitary sewer system.” The contract provides similar provisions as the contract approved in Result No. 2A.

In addition, Section 11 provided the following related to capacity fees:

“For each new sewer service connection to the Village’s sewer system, the County will collect a Sewer Capacity Fee, as established by the February 6, 1997 amendment to the December 7, 1981 Sewer Service Agreement between the County and the Village of Waynesville. For 1999, the County Fee is \$1,300 for each single-family residential unit or equivalent.”

3. Mayor Purkey indicated there were no written policies and/or procedures for the administration of the Village water and sewer services which included meter reading, preparation of utility bills, reconciling the bills to the meter readings, collecting payments, maintaining subsidiary ledgers, or issuing tap-in permits, applying delinquent penalties, and disconnecting residents for nonpayment of bills. Water treatment and sewage disposal services were performed by the Village of Waynesville via a contract with Warren County.

Water and Sewer Service Rate Authority

According to Mayor Purkey, the contract between Warren County and the Village established the rate per gallon to be billed for the Village’s usage of water and sewer services. The Village installed flow meters where the Village water and sewer systems connected to the water and sewer systems operated by the Village of Waynesville. The County read the meters every other month and billed the Village for the gallons of water and sewage flowing through the meters. The bills were calculated utilizing the rates established in the contract between Warren County and the Village of Waynesville.

¹As noted in the Background portion of this report, there was no water service contract in place between the Village and Warren County that mandated the collection and remittance of a water tap-in fee by the Village to Warren County for the period December 14, 1998 and December 19, 2000; however, the Village began collecting the water tap-in fee in February 1999. The December 19, 2000 contract was not clear as to the Village’s obligation to remit to Warren County any water tap-in fees collected during 1999.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

The Village of Corwin was responsible for establishing the rates to bill residents receiving Village water and sewer services. Mayor Purkey indicated the Village Council established the rates billed to the residents through adoption of an Ordinance on an annual basis.

Preparing Water and Sewer Bills

Mayor Purkey indicated there were three different methods of preparing residents' bills during the Period. They were as follows:

January 1, 1997 through May 1998

In the beginning of the Period, Mr. and Mrs. Dave Lamb, residents of the Village, volunteered to read the meters and prepare the utility bills. Every two months one of the two individuals read the meters. Mrs. Lamb calculated the number of gallons used by the resident and calculated the amount due to the Village utilizing the rates established by Council. Bills included amounts due from prior bills and the current usage. The bills were generated by a computer program and printed on carbon paper to produce two copies. The original was mailed to the resident and the carbon copy was presented to the Clerk/Treasurer.

Upon receipt of the payment from the resident, the Clerk/Treasurer posted the receipts to the receipt ledger and threw away the carbon copy of the utility bill. The money was deposited into the Village's bank account on a periodic basis.

May 1998 through July 1999

In May 1998, the Clerk/Treasurer became ill and resigned his position on April 30, 1998. At the same time, Mr. and Mrs. Lamb resigned from meter reading and bill preparation. As a result, Mayor Purkey read the meters and utilized Peachtree Accounting software to prepare the bills. The bills indicated only the amount of the current usage and the delinquent balance and no additional information. When monies were received, he recorded the monies in the ledgers and deposited the monies with the assistance of the Clerk of Council.

On May 11, 1998, the Village Council approved the hiring of Homer Miller to perform the meter reading. Mayor Purkey continued to prepare the bills, collect payments, record the payments in the ledgers, and deposit the monies with the assistance of the Clerk of Council. In October 1998, the Village appointed Mrs. Beverly Campbell as the Clerk/Treasurer of the Village. Mrs. Campbell previously served as the Clerk of Council. She became responsible for recording payments in the ledgers upon receipt and depositing the monies in the bank account. The mayor continued to prepare the bills.

July 1999 through December 31, 1999

In July 1999, the Village verbally agreed to have Warren County read meters, prepare bills, collect payments and post payments to subsidiary ledgers. However, the Village still provided the water and sewer service to its residents by continuing to purchase these services from the Village of Waynesville via a contract with Warren County.

Tap-in Permits

Fee Amounts and Authority

Mayor Purkey indicated the following rates were established for water tap-ins, sewer tap-ins, combined tap-ins for the developer of the Furnas Forge subdivision, and new tap-ins for existing Village residences.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

In 1999, Ordinance 99-100 established the water tap-in fee at \$1,500. Mayor Purkey indicated in early 1999, the County approved a water capacity fee of \$1,075 to be charged when the resident was tapping into the water system. In the contract signed by Warren County and the Village of Corwin (described in Result No. 2E)², the contract provided for a capacity fee to be charged each time a resident connected to the water system. The Village referred to the capacity fee as a tap-in fee.

In 1999, Ordinance 99-100 established the sewer tap-in fee at \$1,500. In 1997, the Village agreed to remit a portion of the fees charged for sewer tap-in permits to assist with capital improvements. The following fee schedule was approved by the Village Council to remit to Warren County for new construction:

January 1, 1997 through December 31, 1997	\$ 750
January 1, 1998 through December 31, 1998	\$1,000
January 1, 1999 through December 31, 1999	\$1,300

The Mayor also stated the Village Council approved, in Resolution 97-03, a discount on the tap-in fees for a local developer (Nick Peth) who was going to develop the Furnas Forge subdivision within the Village limits. The details of Resolution 97-03 are included in Result No. 1.

Permit Requests

The following steps were followed by residents, contractors and developers requesting Village water and sewer service:

- I. Residents, contractors and developers obtained a building permit from the Warren County Building Department.
- II. The building permit was presented to the Mayor with a request for a Village water and/or sewer tap-in permit.
- III. The permit was completed and the fee was paid by the resident, contractor, or developer to the Mayor.
- IV. The Mayor and/or the Village Clerk/Treasurer posted the receipt to the Village's ledgers and deposited the monies.
- V. Upon completion of the lateral³ installation and the tap into the house, the Mayor performed an inspection before the pipes were covered with dirt.

²See note 1.

³A lateral is a pipe connecting the main sewer line to the structure receiving service.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Remitting To Warren County

The Mayor indicated the Village was required to remit any sewer tap-in fees collected in accordance with the schedule in Result No. 2B for any sewer tap-ins issued for new construction. Mayor Purkey defined new construction as the construction of a new structure utilizing water and sewer services. As a condition of the Village's Fiscal Emergency, the Village could not disburse funds to Warren County for the tap-in fees collected without prior approval from its Fiscal Emergency Supervisor. Mayor Purkey indicated at the time of the interview there were monies owed to Warren County for tap-in fees the Village had collected.

The December 19, 2000 contract⁴ for the water system required the \$1,075 fee assessed for water tap-ins to be remitted to Warren County in a manner similar to the sewer tap-in fees.

4. We conducted several interviews with Richard Renneker, Warren County Sanitary Engineer and Theresa Brooks, Warren County Water and Sewer Department Office Administrator, who provided the following information relating to the relationship between Warren County and the Village.

Prior to July 1999, the Warren County Water and Sewer Department read the flow meters every month at the Village's two connections of the Village's system to Warren County's system and billed the Village for the usage during the two month period. The rate used to calculate the amount due from the Village for the water and sewer services provided by the Village of Waynesville was based upon the contract between Warren County and the Village of Waynesville.

In July 1999, the Village and Warren County verbally agreed Warren County would read residents' meters, generate the utility bills, mail the bills to the residents, collect payments, and track the balances of the residents. On a bi-monthly basis, the fund receiving the residents' payments was reduced by the monies owed to the Village of Waynesville for providing water and processing the sewage received from the Village.

Any excess receipts were applied to the Village's delinquent balance maintained by Warren County. Once the delinquent balance was exhausted, any excess monies would be returned to the Village of Corwin.

Warren County agreed to maintain the Village's water and sewer system lines once the Village provided maps of the water and sewer lines to Warren County. Per the contract with Warren County, the Village of Waynesville provided water treatment and sewer disposal services to those areas connected to the Massie-Wayne Water and Sewer District. The Village retains responsibility for compliance with the Environmental Protection Agency's guidelines.

The Village and Warren County also signed a contract in February 1997 indicating any connections to the sewer system would result in a tap-in fee being collected by the Village and remitted to Warren County in accordance with the following schedule: FY1997 - \$750; FY 1998 - \$1,000 and FY 1999 - \$1,300. At the time of the interview, Mr. Renneker was unsure whether Warren County had received all of the tap-in fees it was entitled. He indicated upon receipt of the monies for the sewer tap-ins, a check was written for a similar amount to the Village of Waynesville for the capacity fees for sewer improvements.

The Village and Warren County signed a contract on December 19, 2000⁵ which required the Village to collect and remit a water tap-in fee of \$1,075.

⁴See note 1.

⁵See note 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

5. The Village continues to purchase water and sewer services from the Village of Waynesville via a contract with Warren County. However, the Village verbally agreed on July 1, 1999 to turn over all administrative duties to Warren County such as reading meters, billing Village residents, collecting payments, and maintaining subsidiary ledgers. As a result, no recommendations of internal control weaknesses relating to the Water and Sewer Utilities administrative operations will be issued.

NONCOMPLIANCE CITATIONS

Annual Approval of Tap-in Fees

The contract amendment approved February 6, 1997 between the Village of Waynesville and Warren County established a sewer capacity fee schedule for any individual connecting to the Massie-Wayne Water and Sewer District, part of the Warren County Water and Sewer System. The Village of Corwin connected to this district. The Village of Corwin signed as a party to this agreement indicating it would charge these established rates. Ohio Rev. Code Sections 729.49, 735.273 and 743.04 indicate the Village should establish fees which are to be collected when a property connects to the Village's water and sewer system.

Although established for 1999, the Village failed to adopt resolutions or ordinances which enacted water and sewer fees for 1997 and 1998. In addition, the fees collected for 1999 did not conform with the fee schedule approved by Council.

We recommend the Village adopt resolutions or ordinances establishing the rates for connecting to the Village water and sewer system on an annual basis. In addition, the Village should ensure all contractors remit fees in accordance with this schedule.

Minutes

When read together, White v. Clinton Cty. Bd. Of Commrs., 76 Ohio St.3d 416 (1996), and Ohio Rev. Code Sections 121.22, 149.43 and 733.27, impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. State, ex rel. The Fairfield Leader v. Ricketts, 56 Ohio St.3d 97 (1990).

The Village did not maintain a full and accurate record of their proceedings. Resolutions 97-03 and Ordinance 99-100 were presented for audit; however, discussion and passage of these items were not documented in the approved minutes.

We recommend the Village Clerk/Treasurer document all motions, resolutions, and discussions occurring during Council meetings in the minutes.

Destruction of Utility Records

Ohio Rev. Code Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

The Village did not maintain utility billing invoices for 1997 through 1999. Mayor Purkey indicated once the resident paid their bill, the duplicate copy of the bill was thrown away by the former clerk/treasurer. In addition, the January 1997 minutes were not available for our review.

We recommend all documents supporting receipts and disbursements of the Village be maintained in accordance with an approved records retention schedule.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Ordinances

Ohio Rev. Code Section 731.17, provides the procedures that apply to the passage of ordinances and resolutions of a municipal corporation. The procedures are as follows:

- (1) Each ordinance and resolution shall be read by title only, provided the legislative authority may require any reading to be in full by a majority vote of its members.
- (2) Each ordinance or resolution shall be read on three different days, provided the legislative authority may dispense with this rule by a vote of at least three-fourths of its members.
- (3) The vote on the passage of each ordinance or resolution shall be taken by yeas and nays and entered upon the journal.
- (4) Each ordinance and resolution shall be passed, except as otherwise provided by law, by a vote of at least a majority of all the members of the legislative authority.

The following noncompliance was noted during a review of the minutes:

- The Village Council did not adopt an ordinance indicating a schedule of fees and charges for calendar years 1997 and 1998.
- The ordinance and the minutes did not include the vote of yea or nay by the Council members approving the ordinance.
- There were instances where the minutes did not include the votes of the Council on a motion, ordinance or resolution.
- The Clerk/Treasurer presented a resolution regarding discounted tap-in fees to Nick Peth which was signed by the Clerk/Treasurer and the Mayor; however, discussion and passage of this resolution was not documented in the Council meeting minutes.
- A resolution was presented indicating it was adopted by Council on March 10, 1997. However, the Council member listed as making the motion was not present at the Council meeting per the minutes and an interview with the Council Member.

We recommend the Clerk accurately record all actions of Council in the meeting minutes including the ordinances, resolutions, motions made by Council, and the vote of each Council member.

MANAGEMENT COMMENTS

Monitoring of Water and Sewer System

In July 1999, the Village of Corwin requested Warren County begin operating the Village's water and sewer system including billing the residents and the Village's accounts for the usage of services. Based on available documentation and review of the minutes, it does not appear the Village reviewed the services provided by Warren County to ensure any monies due the Village were returned and whether Warren County operated the system and charged residents the proper rates.

We recommend a representative from the Village Council periodically meet with the Warren County Sanitary Engineer to discuss the operation of the Village's water and sewer system to ensure the various aspects of the contract are followed and monies due to the Village are remitted in a timely manner.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Tap-In Fees

Currently, the Village issues the permits and collects monies for tap-in fees for remission to the Warren County Water and Sewer Department. However, since the Village no longer operates the water and sewer system, the Village is incurring expenses for the time needed to prepare the permits, issue the permits, perform inspections, and remit monies to Warren County. By allowing Warren County to collect the fees based on an approved fee schedule from the Village, the Village can reduce operating expenses. In addition, this would allow Warren County to ensure all of the individuals connected to the water and sewer systems receiving services are included in the Utility Billing Register.

We recommend the Village discuss with the Warren County Water and Sewer Department the possibility of allowing Warren County to collect the tap-in fees utilizing an approved fee schedule from the Village to reduce costs incurred by the Village. This recommendation was also included in the Village of Corwin Performance Audit issued by the Auditor of State's Office on January 21, 1999.

Bonding of the Mayor

The Mayor indicated during interviews that he collected utility payments, maintained ledgers, and deposited monies on behalf of the Village. We determined through a review of Village records, the Mayor was not bonded. Village employees involved in collection or disbursements of Village funds should be covered by an employee dishonesty bond to ensure the Village is protected from losses resulting from the misappropriation or theft of public monies.

We recommend the Village Council review the duties performed and the monies handled by the Mayor and determine whether the Mayor should be bonded. If the Mayor is involved in the day to day fiscal operations which require collection of payments, maintaining ledgers, and depositing receipts, we recommend the Village obtain adequate bond coverage to ensure the Village's funds are properly safeguarded.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 2 - Building Permits Issued By Warren County

We reviewed building permits issued to Village residents by the Warren County Building Department to calculate the potential amount of water and sewer tap-in fees to be remitted to Warren County for the Period.

Procedures

1. We obtained a listing of the building permits issued during the Period by the Warren County Building Department to residents of the Village.
2. We calculated the potential amount of tap-in fees to be remitted to Warren County based on the number of the building permits issued.

Results

1. We obtained a computerized listing of building permits issued by the Warren County Building Department for the period of January 1, 1998 through December 31, 1999. We also obtained a handwritten listing of permits issued for the period of January 1, 1997 through December 31, 1997. Since the fees to be remitted applied to any new construction and the contracts between the Village and Warren County refer to the new subdivision of Furnas Forge as requiring connections, we obtained the street names in the Furnas Forge subdivision. We requested the Building Department enter the street names into the Building Department computer system to identify the permits issued on those streets. We utilized the computer generated list to verify the building permit lists obtained included all permits issued during the Period. The following table illustrates the total number of permits issued each year of the Period by the Warren County Building Department:

<u>Year</u>	<u>Number of Building Permits Issued</u>
1997	8
1998	20
1999	<u>18</u>
Total	<u>46</u>

2. **Water Tap In Fees**

As noted in Issue No. 1, on January 5, 1999, Warren County entered into a new contract with the Village of Waynesville for supplying water to the Massie-Wayne Water and Sewer District. The contract provided that for each new connection to the water system, a capacity fee of \$1,075 would be remitted to the Village of Waynesville. On December 19, 2000⁶, the Village of Corwin signed an agreement to collect the capacity fee of \$1,075 and remit the monies to Warren County.

⁶See note 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We noted 16 building permits issued for new construction in the Furnas Forge subdivision thus requiring a water tap-in. The potential amount of water tap-in fees based on the January 5, 1999 amendment between Warren County and the Village of Waynesville was calculated as follows:

Year	Number of Permits	Charge Per Tap-in	Amount to be Remitted
1999	16	\$1,075	\$17,200

There were two building permits issued in January 1999 for which the \$1,075 water tap-in fee was not collected because the Village and Warren County agreed to waive the collection of the tap-in fee for January 1999. No water tap-in fees were required for 1997 and 1998 per the contract between the County and the Village.

Sewer Tap In Fees

Based on a contract between Warren County and the Village. The following schedule represents sewer tap-in fees to be remitted to Warren County:

January 1, 1997 through December 31, 1997:	\$ 750
January 1, 1998 through December 31, 1998:	\$1,000
January 1, 1999 through December 31, 1999:	\$1,300

We reviewed each permit to identify whether the type of work for which the permit was issued required a sewer tap-in for occupancy of the structure. A permit was required for any new construction within the Furnas Forge subdivision as indicated in the approved contract between Warren County and the Village in addition to new connections throughout the Village. We noted there were 8 permits issued in 1997 for new buildings in the Furnas Forge subdivision, 13 permits in 1998 for new buildings in the Furnas Forge subdivision, and 16 permits in 1999 for new buildings in the Furnas Forge subdivision. One permit issued in 1998 was for remodeling of a business to comply with the local building code for restaurants rather than a new building. We calculated the amount to be remitted to Warren County for sewer tap-ins as follows:

Year	Number of Permits	Charge Per Tap-in	Amount to be Remitted
1997	8	\$750	\$6,000
1998	14	1,000	14,000
1999	<u>16</u>	1,300	<u>20,800</u>
	<u>38</u>		<u>\$40,800</u>

We identified 8 other permits issued for electrical work which did not require water or sewer service and thus a tap-in fee was not required.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 3 - Tap-In Fees Due to Warren County

We reviewed water and sewer tap-in permits issued to Village residents by the Village to calculate the potential amount of fees which should have been remitted to Warren County for the Period.

Procedures

1. We obtained the tap-in permits issued by the Village during the Period.
2. We compared the addresses listed on the water and/or sewer tap-in permits issued by the Village to the building permits obtained in Issue No. 2 to verify whether the Village issued water and/or sewer tap-in permits for each building permit which would require water and sewer tap-ins during the Period.
3. We calculated the potential fees to be remitted by the Village to Warren County for the water and/or sewer tap-in permits issued.

Results

1. We obtained the tap-in permits issued by the Village from Mayor Howard Purkey. Each tap-in permit indicated the address the tap-in occurred, the purchaser of the permit, the date the permit was paid, and the amount paid. We identified the following number of permits for water and/or sewer services issued:

Year	Total Permits Issued
1997	7
1998	13
1999	<u>16</u>
	<u>36</u>

2. In Issue No. 2, we noted Warren County issued 37 building permits for new construction and 1 permit for remodeling which required water and/or sewer service. The Village issued 36 permits for tap-in of water and/or sewer services. The explanation for the difference in number of permits issued is as follows:
 - We identified one permit issued in 1997 which was cancelled on September 29, 1997. We verified through observation this lot is still vacant. Therefore, no tap-in fee was required.
 - The Village did not issue a permit for the sewer tap-in for the business remodeling permit issued by the Warren County Building Department. However, the Village did collect the tap-in fee for the sewer tap.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

3. A. On January 5, 1999, Warren County entered into a Water Service Agreement with the Village of Waynesville indicating new tap-ins to the water system were charged a fee of \$1,075 for each single-family residential unit⁷. Mayor Purkey indicated Warren County Water and Sewer Department had agreed to waive the collection of this fee by the Village for permits issued in the first couple of months of 1999 since the Village had already collected the fees for the permits issued and had not collected a water tap-in fee. In a letter dated February 22, 2001, the Warren County Commissioners stated they agreed to waive the water tap-in fee for permits issued in January 1999. In February 1999, the Village began collecting the \$1,075 fee described in the January 5, 1999 contract between Warren County and the Village of Waynesville. For the 16 permits issued in 1999, the Village should have collected \$17,200. No water tap-in fees were required for 1998 and 1997.
- B. Sewer tap-in fees for permits issued were based on a contract between Warren County and the Village as follows:

January 1, 1997 through December 31, 1997:	\$ 750
January 1, 1998 through December 31, 1998:	\$1,000
January 1, 1999 through December 31, 1999:	\$1,300

The amount to be remitted to Warren County for sewer tap-ins during the Period is calculated as follows:

Year	Charge Per Tap-in Fee	Number of Permits	Amount to be Remitted
1997*	\$750	7	\$5,250
1998**	1,000	14	14,000
1999	1,300	<u>16</u>	<u>20,800</u>
		<u>37</u>	<u>\$40,050</u>

* Does not include tap-in permit cancelled in September 1997.

** Includes permits for new construction and for the business remodel in which the Village did not issue a sewer tap-in permit.

⁷See note 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 4 - Amounts Collected vs. Amounts Remitted

We reviewed the Village's records and identified the amount collected by the Village for water and sewer tap-in permits issued during the Period. We compared the amount collected to the amount calculated as due to Warren County in Issue No. 3. We compared the amount of tap-in fees due to Warren County to the amount remitted to Warren County to verify whether all monies due were remitted.

Procedures

1. We calculated the amount of water and sewer tap-in fees required to be remitted to Warren County.
2. We reviewed the bank statements, deposit slips, and receipt ledgers to determine the amount of water and sewer tap-in fees collected by the Village. We compared the amount collected by the Village to the amount due to be remitted to Warren County as noted in Issue No. 3.
3. We reviewed checks written by the Village to Warren County to determine whether the Village remitted the entire amount of water and sewer tap-in fees as noted in Procedure No. 1.
4. We contacted Warren County to confirm the amount of water and sewer tap-in fees received from the Village.
5. We reviewed the telephone interview conducted with Mr. Menker during the 1999 financial audit to obtain an understanding of the verbal agreement between Mr. Menker and Mayor Purkey for the payment of a \$1,500 sewer tap-in fee. We interviewed Mayor Purkey to verify the terms of the verbal agreement and whether the \$1,500 sewer tap-in fee had been paid to the Village.
6. We reviewed the Village's receipt ledger, bank statements, and deposit slips to verify whether the sewer tap-in fee for Menker's Bikeway Café was deposited into the Village's accounts.

Results

1. Issue No. 3 noted the Village issued 16 permits for water tap-ins and 37 permits for sewer tap-ins. We calculated the Village should have collected \$17,200 in water tap-in fees⁸ and collected and remitted \$40,050 in sewer tap-in fees to Warren County.

2. **Water Tap-In Fees Collected**

The Village collected \$15,900 in water tap-in fees during the Period.

The Village did not collect a water tap-in fee for Lot 4 located at 6395 Sun Ridge Drive in the Furnas Forge subdivision from the developer, Mr. Nick Peth, for a permit issued in August 1999. According to Mayor Purkey, the Village should have collected a water tap-in fee for this property; however, he could not provide documentation that the Village billed Mr. Peth for the fee. We contacted Mr. Peth by letter requesting he provide documentation to support whether this fee was paid to the Village. Mr. Peth did not respond to our letter. In response to our special audit, Mayor Purkey provided documentation to support that a check was received from Mr. Peth and deposited on March 2, 2001 for the capacity fee for Lot 4 in the Furnas Forge subdivision.

Contrary to Village Ordinance 99-100 approved by Village Council on June 14, 1999, the Village collected only a \$1,000 tap-in fee, instead of \$1,500, for a permit issued on July 6, 1999 to Kneiss Construction.

⁸See note 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Sewer Tap-In Fees Collected

The Village collected \$47,175 for sewer tap-in fees. We determined in Result No. 1 the Village should have collected \$40,050 in new construction sewer tap-in fees which were to be remitted to the Warren County Water and Sewer Department in accordance with a contract between the Village and Warren County.

The difference between the amount collected and the amount to be remitted to Warren County was \$7,125. This was the result of the Village charging up to \$1,500 for a sewer tap-in permit issued to contractors other than Nick Peth. The \$1,500 collected was greater than the \$750, \$1000 or \$1,300 to be remitted to Warren County for permits issued in 1997, 1998 or 1999, respectively. The \$1,500 fee charged for the sewer tap-in permit in FY 1999 was in accordance with the approved 1999 Fee and Rate Schedule. We were unable to verify if the fee charged was per the 1997 or 1998 rate schedules since the approved schedules could not be located by the Clerk-Treasurer.

3. As of the date of the report, none of the water tap-in fees collected in 1999 were remitted to Warren County⁹.

We identified in Result No. 2 that \$40,050 should have been remitted to Warren County for new construction sewer tap-in permits. The following payments were made to Warren County for sewer tap-in fees collected:

<u>Date of Payment</u>	<u>Amount of Payment</u>
September 30, 1997	\$3,000
November 6, 1997	750
February 23, 1998	2,500
October 7, 1999	16,200
May 11, 2000	<u>15,600</u>
Total	<u>\$38,050</u>

The Village collected 2 sewer tap-in fees totaling \$2,000 which it has not remitted to Warren County in accordance with its contract. These two sewer tap-in fees are for lot 6, 6425 S. Sun Ridge Drive in the Furnas Forge subdivision and Menker's Bikeway Café.

Mayor Purkey stated the \$1,000 sewer tap-in fee collected for a remodeling permit for Menker's Bikeway Café was not remitted by the Village because it does not meet the criteria of new construction. However, Warren County indicated the County considers new construction to be either a new structure or the change of use of an existing building which requires a tap-in. Warren County indicated this tap-in fee should be remitted. The approved amendment to the sewer agreement on February 6, 1997 states fees for "any connection" made should be remitted to Warren County.

Because the fee has been collected but has not been remitted to Warren County in accordance with the terms of the contract, a finding for recovery will be issued against the Village of Corwin in favor of the Warren County Water and Sewer Department in the amount of \$2,000.

⁹See note 1.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

4. As noted in Procedure No. 3, none of the water tap-in fees collected in 1999 were remitted to Warren County as of the date of our report.

We contacted Theresa Brooks, Office Administrator, Warren County Water and Sewer Department, who indicated the Water and Sewer Department received the following amounts by fiscal year from the Village:

<u>Fiscal Year</u>	<u>Amount Received</u>
1997	\$3,750
1998	2,500
1999	16,200
2000	<u>15,600</u>
Total	<u>\$38,050</u>

5. We reviewed a telephone interview conducted during the 1999 financial statement audit with Mr. Jim Menker, owner of the Menker's Bikeway Café ("the Café") regarding a sewer tap-in fee due to the Village. Mr. Menker indicated the Café did not have Village sewer service when he purchased it. In order to open the Café for business, Mr. Menker had to comply with the local building code which required a tap-in to the Village sewer system. Mayor Purkey owned the property next to the Café and expressed interest in adding sewer service to his property at a later date. As a result, Mr. Menker and Mayor Purkey entered into a verbal agreement in September or October 1999 for each to pay half of the cost of extending the sewer lateral¹⁰ to the Café and adding piping to allow for two connections. This would allow Mayor Purkey to tap-in to the sewer lateral at a later date and Mr. Menker to connect at the time of installation. Mr. Menker believed the cost of the project was approximately \$5,000 in which he would pay the full \$5,000 and Mayor Purkey would pay him \$1,000 and would pay the Village the \$1,500 for the sewer tap-in fee as his share of the cost.

We conducted an interview with Mayor Purkey who confirmed the verbal agreement. Mayor Purkey indicated Mr. Menker approached him regarding the sewer tap-in to allow the opening of his business in October of 1999. Mayor Purkey stated he would be pay a portion of the cost of the sewer lateral if Mr. Menker would have the contractor place additional piping at the end of the line to allow for a second tap-in to the sewer lateral at a later date. The verbal agreement was for the cost of the installation to be equally split between the two. Mayor Purkey indicated he estimated the cost of the project to be approximately \$2,300.

Upon completion of the project, Mr. Menker requested \$4,200 for Mayor Purkey's share which was in excess of the Mayor's original estimate of the cost of the project. However, Mayor Purkey offered to pay \$1,000 and the sewer tap-in fee of \$1,500 to allow Mr. Menker to open his business. Mayor Purkey indicated he paid the sewer tap-in fee to the Village in Fiscal Year 2000.

6. Pay-In No. 556 issued on January 10, 2000, indicated Mayor Purkey paid the \$1,500 sewer tap-in fee to the Village Clerk. We verified the check was deposited into the Village's bank account.

¹⁰A sewer lateral is a pipe which connects the property owner's pipe for sewage disposal to the main Village sewer line to carry the sewage to the treatment plant.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

FINDING FOR RECOVERY

Sewer Tap-In Fee Remittances

On February 6, 1997, Mayor Purkey signed an amendment to the agreement of December 7, 1981 for sewer services with the Massie-Wayne Sewer district. The agreement provided for the Village to assess sewer tap-in fees of \$750 in 1997, \$1,000 in 1998, and \$1,300 in 1999 for any connection that occurs within the Village or the District. The funds collected by the Village of Corwin were to be remitted to the Warren County Water and Sewer Department for deposit into a separate fund.

In comparison of the amount collected to be remitted of \$40,050 (result no. 2, Sewer Tap-in fees collected) and the amount remitted by the Village, \$38,050 (result no. 3), the Village owed Warren County an additional \$2,000 for sewer tap-in fees collected but not remitted. These two sewer tap-in fees are for lot 6, 6425 S. Sun Ridge Drive in the Furnas Forge subdivision and Menker's Bikeway Café.

In accordance with the foregoing facts, a finding for recovery is hereby issued against the Village of Corwin's Sewer Fund in favor of the Warren County Massie-Wayne Capacity Fees Fund in the amount of \$2,000 for the remainder of the monies collected but not remitted in accordance with the contract.

NONCOMPLIANCE CITATION

Approved Water Tap-In Fees

Ordinance 99-100 approved by Village Council on June 14, 1999 included a fee schedule indicating a \$1,500 water tap-in fee should be billed to the resident/contractor requesting the permit.

We identified an instance where a tap-in fee of only \$1,000 was charged to the contractor requesting the permit. The fee charged was not in accordance with the fee schedule approved by Village Council.

We recommend the Village request payment for the issuance of tap-in permits in accordance with the approved fee schedule.

MANAGEMENT COMMENTS

New Construction Remittances

The Village of Corwin defines "new construction" within the Village limits as the building of a new structure utilizing water and sewer service. The Warren County Sanitary Engineer defined "new construction" as either a new structure utilizing water and sewer services or a remodeled existing structure for which the use of the structure changes resulting in the addition or increased usage of water and sewer services. The contract and its amendments between the Village of Corwin and Warren County required the Village to remit sewer tap-in fees for "any connection" made effective February 6, 1997. The Resolution approved by the Village Council approved these rates to be collected commencing January 1, 1997.

We recommend the Village and Warren County clearly define when sewer tap-in fees are to be remitted and amend the contract to document the specific types of construction which would require remittance of the fee collected by the Village.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Water Tap-in Fees Collected

As noted in the Background section of this report, there was no formal water service contract between Warren County and the Village that mandated the collection and remittance of a water tap-in fee by the Village to Warren County for the period December 14, 1998 to December 19, 2000. However, beginning in February 1999, the Village began collecting water tap-in fees as a result of a January 1999 contract between Warren County and the Village of Waynesville. That contract required Warren County to collect a \$1,075 fee for any new connection to the water system beginning in January 1999. During 1999, the Village collected \$15,900; however, as of the date of this report, the Village has not remitted any of the water tap-in fees collected to Warren County. Additionally, the current contract which was not signed and effective until December 2000 did not clearly address the water tap-in fees collected by the Village during 1999. As a result, it is unclear whether the Village was contractually required to remit the water tap-in fees collected during 1999 to Warren County.

We recommend the Village and Warren County work to resolve whether the fees collected in 1999 are required to be remitted to Warren County. If so, the Village should remit such fees based on that agreement.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Issue No. 5 - Review of Properties Receiving Water and Sewer Services

We reviewed the properties within the Village's corporation limits to identify whether residents receiving Village water and sewer services were billed by Warren County for services received.

Procedures

1. We obtained a listing of properties and plat maps noting property owners from the working papers of the Village's performance audit conducted by the Auditor of State.
2. We obtained a listing of the customer water and sewer accounts from Warren County. We reviewed the listing of customers to identify instances where the customer was only billed for either water or sewer service.
3. We reviewed the tap-in permits issued by the Village (Issue No. 3) to ensure properties with a permit for water and sewer service were included in the Warren County Utilities Billing Register obtained in Procedure No. 2.
4. We compared properties documented on the plat maps as being within the Village corporation limits to the addresses of properties listed in the Warren County Utilities Billing Register to identify those properties within the Village which were not listed on the Warren County Utilities Billing Register.
5. For properties identified in Procedure No. 4, we reviewed the property card located at the Warren County Auditor's Office to verify whether the property had a structure located on the property which could potentially utilize Village water and sewer services.
6. We traced those properties identified in Procedures Nos. 2 and 5 to well permits and septic permits maintained at the Warren County Board of Health, if available, to identify whether the remaining properties in Procedure Nos. 2 and 5 were served by Village water and sewer.
7. For those properties identified in Procedure No. 6 which do not have a well or septic system, we utilized staff from the Warren County Health Department and the Warren County Water and Sewer Department to identify whether the property was receiving Village water and sewer service.

Results

1. We obtained the working papers supporting the Auditor of State Performance Audit report of the Village released on January 21, 1999. We reviewed the working papers for information relevant to the Special Audit and noted the working papers contained plat maps which documented the property boundaries within the Village. The performance audit staff utilized the Warren County Auditor property cards to identify the owners of each parcel within the Village limits and documented this information on the plat maps.
2. We obtained a Utilities Billing Register dated March 9, 2000 from Warren County which listed the customer number, owner of the account, and the address receiving the service. On May 4, 2000, we obtained an updated Utilities Billing Register to identify any adjustments to the customer accounts performed by Warren County.

Review of the Utility Billing Register noted 4 customers billed for only sewer usage and 17 customers billed for only water usage. These properties were further reviewed in Result No. 6A.

3. We noted all of the property owners for the 37 permits issued were included on the Utility Billing Register and were billed for water and sewer services as of the date of this report.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

4. We identified 39 properties within the Village corporation limits which were not billed for water and/or sewer services.
5. We traced the 39 properties identified in Result No. 4 to the Warren County Auditor property tax cards to verify whether the property included a structure which could potentially utilize water and sewer services. We noted the following during this review:
 - There were 4 properties with houses located on the property identified as vacant. We verified 3 of the homes were vacant during an interview with Mayor Purkey on May 3, 2000 (two of the homes were owned by Mr. Purkey) and observation of the properties. The remaining home was in the process of being remodeled with the windows removed from the home. Therefore, Warren County appears correct by not billing these properties for water and sewer services.
 - There were 18 properties identified as vacant lots by either conversations with Mayor Purkey, representatives from Warren County or the Warren County Auditor's Office property cards. We located the properties in the Village and observed the properties were vacant with no structures which could potentially use water and sewer services.
 - There were 17 properties not listed in the Warren County Utility Billing Register and the Warren County Auditor property cards indicated a structure on the property which could potentially utilize Village water and sewer services. Further review of these properties is discussed in Result No. 6B.
6. We compared the 21 properties identified in Result No. 2 and the 17 properties identified in Result No. 5 to the records maintained at the Warren County Health Department to identify whether the property had a well or septic system. Per the Warren County Health Department staff, a permit was required to be issued prior to the drilling of the well or installation of the septic system if installed during the 1950's or later.
 - A. We noted the following for the 21 properties identified in Result No. 2:
 - For the 4 properties which were not billed for water services, the Warren County Health Department did not have record of a permit for a well on the property. Further review of these properties is discussed in Result No. 7A.
 - For the 17 properties which were not billed for sewer services, the Warren County Health Department had record of septic permits for 6 of the properties. The Warren County Health Department did not have a record of septic permits for the remaining 11 properties. Further review of these 11 properties is discussed in Result No. 7B.
 - B. We noted the following for the 17 properties identified in Result No. 5:
 - One of the properties was the Village Hall. During a tour of the Village Hall with Mayor Purkey on May 3, 2000, we observed there was no water or sewer utilizing appliances in the Village Hall. Therefore, Warren County Water and Sewer was correct in not billing the property for water and/or sewer services.
 - There was one parcel whereby a record of a well permit was maintained by the Warren County Health Department. Therefore, Warren County Water and Sewer Department was correct in not billing the property for water services.
 - For 15 of the 17 properties, the Warren County Health Department had no record of a well permit and the property owner was not billed for Village water service by the Warren County Water and Sewer Department. Further review of these properties is discussed in Result No. 7A.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- There were 2 properties whereby a record of a septic permit was maintained by the Warren County Health Department. Therefore, Warren County Water and Sewer Department was correct in not billing the property for sewer services.
 - For 14 of the 17 properties, the Warren County Health Department had no record of a septic permit. Further review of these properties is discussed in Result No. 7B.
7. We performed a review of the properties noted in Result Nos. 6A and B with the Warren County Water and Sewer Department and the Warren County Board of Health. Mr. Acy Lamb, Meter Reader, Warren County Water and Sewer Department, a staff member from the Board of Health, and two Auditor of State staff auditors performed inspections of these properties to determine whether each property was receiving Village water and sewer.
- A. Inspections of 19 properties (4 properties in Result No. 6A and 15 properties in Result No. 6B) were performed to identify whether the property received Village water service or maintained a well. We noted the following:
- 15 of the properties utilized well water and were correctly not billed by Warren County.
 - One of the properties has Village water which has been turned off by Warren County and was locked. This property was correctly not billed by Warren County.
 - Two of the properties owned by the Ohio Department of Natural Resources (“ODNR”) for the Bike Path restrooms had a water meter in a locked closet. ODNR was not billed by Warren County. Mrs. Theresa Brooks, Office Manager, Warren County Water and Sewer Department indicated ODNR was being billed for the current usage as of September 2000; however, Warren County did not attempt to determine usage since the installation of the restrooms to identify additional monies owed to the Village for previous water usage.
 - The remaining property had Village water service, however, it was deactivated due to the owner’s failure to pay his/her utility bill. Mrs. Theresa Brooks, Office Manager, Warren County Water and Sewer indicated the water service was restored on October 6, 2000 and the resident was billed for the services received.
- B. Inspections of the 25 properties (11 properties in Result No. 6A and 14 properties in Result No. 6B) were performed to identify whether the property maintained a septic system or utilized Village sewer services. We noted the following:
- We observed 19 properties maintained a septic system and were not connected to the Village sewer system. Therefore, Warren County Water and Sewer was correct in not billing the resident for sewer usage.
 - Two of the properties observed were owned by the ODNR for the Bike Path restrooms. ODNR was not billed for sewer usage per the May 4, 2000 customer register. On October 6, 2000, Theresa Brooks, Office Administrator, Warren County Water and Sewer Department, indicated ODNR was billed for water usage; however, was not billed for sewer services. The Village and Warren County should determine whether the Bike Path restrooms are utilizing Village sewer services and adjust the bills accordingly.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- The property at 51 John Street received Village sewer services but was not billed by Warren County for those services. Per documentation supplied by Mrs. Brooks on October 6, 2000, Warren County was billing the resident for sewer services in addition to the water services.
 - We could not conclude whether two of the properties were connected to the Village sewer system. Mrs. Brooks indicated on October 6, 2000 these two properties were not being billed for sewer as to the best of their knowledge the two residents were not connected to the Village's system.
 - The property at 85 Maple Street should have been billed for sewer services and was not billed. Mrs. Brooks indicated on June 23, 2000 the resident was billed for sewer services effective June 8, 2000.
- C. For those properties identified as should have been billed and were not, Warren County performed a meter reading and billed the residents for usage from that date forward. However, Warren County did not bill the residents for prior usage.

MANAGEMENT COMMENTS

Utility Bills

During various interviews conducted with Warren County Water and Sewer Department employees, the Water and Sewer Department was unsure whether all residents receiving water and/or sewer services were billed for the services received. We identified 6 properties which were not billed for water or sewer service being used. As a result, the Village incurred expenses which should have been paid by the residents receiving the services.

We recommend Warren County Water and Sewer Department perform periodic inspections of the properties including vacant properties, within the Village limits not listed on the Billing Register to verify whether the resident has connected to Village water and/or sewer. In addition, Warren County Water and Sewer Department should obtain building permits issued to identify potential new utility customers.

Prior Usage

We identified 6 properties which should have been billed for water and/or sewer services. When Warren County Water and Sewer Department began billing for those services, the billing started as of the date of the first meter reading and went forward. As a result, there were services received prior to the first meter reading in which the property owner was not billed. This resulted in the Village of Corwin paying for those services and increasing its expenses when the Village was already having financial difficulties.

We recommend the Village and Warren County Water and Sewer Department work to determine whether the amount of usage prior to the first meter reading can be calculated and billed to the resident.



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VILLAGE OF CORWIN

WARREN 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 9, 2001**