



# **JEFFERSON WATER & SEWER DISTRICT**

## **FINANCIAL STATEMENTS**

\* \* \* \* \*

June 30, 2001 and 2000





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Trustees  
Jefferson Water & Sewer District

We have reviewed the Independent Auditor's Report of the Jefferson Water & Sewer District, Franklin County, prepared by Jones, Cochenour & Co. for the audit period July 1, 1999 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson Water & Sewer District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

March 7, 2002

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Jefferson Water and Sewer District  
Blacklick, Ohio

We have audited the financial statements of Jefferson Water and Sewer District as of and for the years then ended June 30, 2001 and 2000, as listed in the table of contents. These financial statements are the responsibility of the Jefferson Water and Sewer District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform an 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Water and Sewer District as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 18, 2002 on our consideration of the Jefferson Water and Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 21 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.  
January 18, 2002

**JEFFERSON WATER & SEWER DISTRICT**

BALANCE SHEETS

June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 653,720	\$ 94,812
Accounts receivable	124,923	129,811
Notes receivable (current portion)	11,578	11,193
Insurance proceeds receivable	<u>-</u>	<u>38,464</u>
TOTAL CURRENT ASSETS	<u>790,221</u>	<u>274,280</u>
<b>RESTRICTED ASSETS</b>		
Water assessment receivables	491,478	505,848
Sewer assessment receivables	<u>67,046</u>	<u>68,083</u>
TOTAL RESTRICTED ASSETS	<u>558,524</u>	<u>573,931</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment, at cost	14,498,591	11,952,312
Less: Accumulated depreciation	<u>(2,659,536)</u>	<u>(2,217,473)</u>
NET PROPERTY AND EQUIPMENT	<u>11,839,055</u>	<u>9,734,839</u>
<b>OTHER ASSETS</b>		
Notes receivable (long-term)	27,571	20,408
Prepaid expenses	983	988
Workers compensation deposits	763	763
Loan fees, net of accumulated amortization of \$23,664	<u>24,655</u>	<u>15,915</u>
TOTAL OTHER ASSETS	<u>53,972</u>	<u>38,074</u>
 TOTAL ASSETS	 <u>\$ 13,241,772</u>	 <u>\$ 10,621,124</u>



	<u>2001</u>	<u>2000</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 134,978	\$ 146,177
Current portion of obligations under capital leases	10,140	8,670
Accounts payable	545,382	109,192
Notes payable - computer	1,901	-
Developer deposits	130,938	71,841
Customer tap fee deposits	39,352	42,750
Accrued and withheld payroll related costs	<u>13,655</u>	<u>10,587</u>
TOTAL CURRENT LIABILITIES	<u>876,346</u>	<u>389,217</u>
<b>LONG-TERM LIABILITIES</b>		
Obligations under capital leases	14,891	19,952
Notes payable:		
Planning and construction	9,374,464	7,067,988
Computer	<u>-</u>	<u>1,901</u>
TOTAL LONG-TERM LIABILITIES	<u>9,389,355</u>	<u>7,089,841</u>
TOTAL LIABILITIES	<u>10,265,701</u>	<u>7,479,058</u>
<b>FUND EQUITY</b>		
Contributed capital:		
Grants	675,653	675,653
Assessments	1,104,804	1,104,804
Donated assets	2,396,532	2,396,532
Accumulated deficit	<u>(1,200,918)</u>	<u>(1,034,923)</u>
TOTAL FUND EQUITY	<u>2,976,071</u>	<u>3,142,066</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 13,241,772</u>	<u>\$ 10,621,124</u>

See notes to financial statements.

# JEFFERSON WATER & SEWER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT

For the Years Ended June 30, 2001 and 2000

	2001		2000	
<b>OPERATING REVENUES</b>	\$ 847,276	100.0%	\$ 782,800	100.0%
<b>OPERATING EXPENSES</b>				
Plant operations	270,452	31.9%	191,884	24.5%
Salaries and payroll related expenses	327,585	38.7%	233,392	29.8%
General and administrative expenses	169,510	20.0%	134,524	17.2%
Litigation	27,579	3.3%	10,117	1.3%
Depreciation and amortization	<u>449,893</u>	<u>53.1%</u>	<u>334,931</u>	<u>42.8%</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,245,019</u>	<u>147.0%</u>	<u>904,848</u>	<u>115.6%</u>
 Operating loss	 <u>(397,743)</u>	 <u>-47.0%</u>	 <u>(122,048)</u>	 <u>-15.6%</u>
 <b>OTHER INCOME (EXPENSE)</b>				
Tap fees, net of expense of \$25,842 (\$11,855 in 2000)	691,078	81.6%	560,325	71.6%
Interest income	65,478	7.7%	52,308	6.7%
Interest expense	(537,236)	-63.4%	(508,754)	-65.0%
Bad debt expense	(8,331)	-1.0%	-	0.0%
Gain on the sale of assets	6,214	0.7%	27,369	3.5%
Miscellaneous income (expense), net	<u>14,545</u>	<u>1.7%</u>	<u>2,047</u>	<u>0.3%</u>
<b>Total other income (expense)</b>	<u>231,748</u>	<u>27.4%</u>	<u>133,295</u>	<u>17.1%</u>
 <b>NET INCOME (LOSS)</b>	 (165,995)	 -19.6%	 11,247	 1.4%
 Accumulated deficit, beginning of the year	 <u>(1,034,923)</u>		 <u>(1,046,170)</u>	
 Accumulated deficit, end of year	 <u>\$ (1,200,918)</u>		 <u>\$ (1,034,923)</u>	

See notes to financial statements.

**JEFFERSON WATER & SEWER DISTRICT**

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,871,800	\$ 1,476,602
Interest earned	65,478	52,308
Other sources (uses)	38,464	(38,464)
Cash payments to suppliers for goods and services	(279,351)	(346,339)
Cash payments for employee services and benefits	(344,492)	(240,939)
Interest payments	<u>(537,236)</u>	<u>(508,755)</u>
Net cash provided by operating activities	814,663	394,413
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposition of property, plant and equipment	-	75,128
Payments for property, plant and equipment and construction in progress	<u>(2,546,279)</u>	<u>(1,131,516)</u>
Net cash used by investing activities	<u>(2,546,279)</u>	<u>(1,056,388)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from additional notes payable	2,565,317	1,241,777
Payment of loan fees	(16,568)	(3,871)
Assessment activity	15,407	6,379
Principal payments on notes payable	<u>(273,633)</u>	<u>(673,025)</u>
Net cash provided by financing activities	<u>2,290,523</u>	<u>571,260</u>
Net increase (decrease) in cash and cash equivalents	558,907	(90,715)
Cash and cash equivalents, beginning of year	<u>94,813</u>	<u>185,528</u>
Cash and cash equivalents, end of year	\$ <u>653,720</u>	\$ <u>94,813</u>

# JEFFERSON WATER & SEWER DISTRICT

## STATEMENT OF CASH FLOWS - Continued

For the Years Ended June 30, 2001 and 2000

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	<u>2001</u>	<u>2000</u>
<b>Reconciliation of Net Income (Loss) to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Net income (loss)	\$ (165,995)	\$ 11,247
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	449,892	334,931
Gain on sale of assets	-	(27,369)
Loss on terminated projects	-	8,871
Bad debt write-off	8,331	-
<b>Changes in Assets and Liabilities:</b>		
Accounts and notes receivable	(10,991)	38,570
Insurance proceeds receivable	38,464	(38,464)
Prepaid insurance	5	(417)
Accounts payable	436,190	48,573
Deposits	55,699	15,018
Accrued wages and benefits	<u>3,068</u>	<u>3,453</u>
Total adjustments	<u>980,658</u>	<u>383,166</u>
Net cash provided by operating activities	<u>\$ 814,663</u>	<u>\$ 394,413</u>

See notes to financial statements.

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2001 and 2000

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### **NOTE A - NATURE OF ORGANIZATION**

Jefferson Water & Sewer District (hereafter referred to as JWSD) was created by the Court of Common Pleas of Franklin County to provide water and sewer services to the residents of Jefferson Township in accordance with the provisions of Section 6119.01 of the Ohio Revised Code. JWSD is managed by a Board comprised of five appointed trustees.

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. Under the guidelines of GASB 20, JWSD has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. The adoption of this approach to accounting for proprietary activities by JWSD required no change from prior years. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

1. **Basis of Presentation - Fund Accounting**

The accounts of JWSD are organized on the basis of funds, each of which is considered a separate accounting entity. JWSD has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The fund type, which JWSD uses, is described below:

**Propriety Fund Type** - This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the JWSD is the Enterprise Fund.

**Enterprise Fund** - This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. **Basis of Accounting**

The accounting records are maintained on the accrual basis of accounting for financial reporting purposes.

3. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually. JWSD District has adopted a budget for the year ended June 30, 2001, has adopted and passed annual appropriations and resolutions.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. JWSD must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

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### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

3. **Budgetary Process - Continued**

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances** - The Ohio Revised Code requires Jefferson Water & Sewer District to reserve (encumber) appropriations when commitments are made.

4. **Revenue Recognition**

Revenues for service fees are recorded in the period the service is provided. Revenue for tap fees from developers is recorded when construction of the main water and sewer lines to a development is complete and JWSD and the developer have satisfied the terms of the tap agreement. The principal portion of tap fee revenues from customer five-year notes receivable is recognized in the year the note is executed; interest from the notes receivable is recognized in the year earned. All other revenue is recognized when earned.

5. **Accounts Receivable**

Accounts receivable are shown at their net realizable value. The direct write-off method is used to record bad debts. Uncollectible accounts receivable are charged to operations during the period in which they are determined to be uncollectible. The results of using the direct write-off method closely approximates the reserve method of accounting for receivables. Bad debts are only recorded after all efforts for collection are exhausted, including certifying delinquent accounts to the county auditor, which are attached to real estate tax billings.

6. **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid expenses using the consumption method. An asset for prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

7. **Property, Plant, and Equipment**

Property, plant and equipment are stated at cost (except as noted in the next paragraph with respect to donated developer lines) and are depreciated over the estimated useful lives of the assets from 5 years to 50 years depending upon the type of asset. In addition, interest costs incurred during the construction of the water and sewer system infrastructure are capitalized and included in property, plant and equipment. Once construction is complete and a project is operational, depreciation begins on all planning costs, construction costs, and capitalized interest.

Donated developer lines are stated at fair value based on developer documentation, and are depreciated over 50 years, which represents the estimated useful lives of the assets. Refer also to Note I - Contributed Capital from Donated Developer Lines.

Depreciation is computed using the straight-line method for financial reporting purposes. Repairs and maintenance costs are charged to operations when incurred. Improvements and additions are capitalized.

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

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### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

8. **Amortization**

Loan fees are being amortized over sixty months beginning with the date of the first payment of each loan. Amortization is computed using the straight-line method for financial statement reporting purposes. Loan fees amortization expense charged to operations for the year ended June 30, 2001 and 2000 was \$7,829 and \$2,118, respectively.

9. **Income Tax**

JWSD operates as a public water/sewer system exempt from federal income tax under Internal Revenue Code Section 501(c)(1).

10. **Statement of Cash Flows**

For purposes of the statement of cash flows, JWSD considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

11. **Interest Expense**

Interest expense represents the interest portion of construction loan payments to the Ohio Water Development Authority (\$534,496), vehicle/equipment loan payments (\$397), and lease payments (\$2,343).

12. **Contributed Capital**

JWSD recognizes as contributed capital, grants received for construction costs, special assessments to customers for construction costs, and donated assets from developers (see Note I).

13. **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

14. **Board Designated Cash Fund**

During the 1998-2001 fiscal years, the Board of Trustees allocated \$1,500 each year, via resolution, for expenditures to be designated by the Trustees. This procedure is in accordance with the Ohio Revised Code. Board discretionary expenditures for the fiscal years ended June 30, 2001 and 2000, totaled \$1,007 and \$1,340, respectively and were approved as bills were paid individually.

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

### **NOTE C - RECEIVABLES**

Accounts receivable are presented at their net realizable value, and are classified into the following aging categories as of June 30, 2001:

	<u>Current</u>	<u>Past Due</u>			<u>Total</u>
	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91 and over</u>	<u>Total</u>
Totals	\$ 72,721	\$ 12,239	\$ 3,798	\$ 36,166	\$ 124,923

Notes receivables consist of five-year notes at an annual interest rate of 7% for voluntary water and sewer tap agreements.

Assessment receivables represent the principal portion of assessments for water and sewer line construction costs to local service users. These amounts will generally be paid over the life of the related debt (see Note G) including interest rates ranging from 6.16% to 7.14% and are reported as restricted assets.

### **NOTE D – PROPERTY, PLANT, AND EQUIPMENT**

The following is a summary of property, plant and equipment at June 30, 2001:

Land and land easement	\$ 584,086
Buildings	1,167,764
Furniture and general equipment	204,461
Planning and construction	10,104,485
Vehicles	41,263
Donated assets	<u>2,396,532</u>
	14,498,591
Less: Accumulated depreciation	<u>(2,659,536)</u>
 Totals	 <u>\$ 11,839,055</u>

Included in the planning and construction amount above is construction in progress of \$76,955.

### **NOTE E – DEVELOPER DEPOSITS, CUSTOMER TAP FEE DEPOSITS, PREPAID MINIMUM FEES**

Developer deposits represent prepaid amounts received from developers for future planning and review fees. As invoices are paid for these respective costs, the prepaid balance is reduced.

Customer tap fee deposits represent amounts prepaid for tap fees, either partially or in full, to guarantee tap fee rates at the time of prepayment. The revenue will be recognized when connection is made to the system, and any remaining balance due is remitted to JWSD.



**JEFFERSON WATER & SEWER DISTRICT**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

**NOTE F – TAP FEE AGREEMENTS**

JWSD has signed tap agreements under which developers have agreed to purchase water and sewer taps over the next several years. The developers have secured their obligation to purchase these taps by signing irrevocable, unconditional letters-of-credit. The following is the schedule of future tap payments to be made to JWSD for the fiscal years subsequent to June 30, 2001:

2002	\$	807,602
2003		791,710
2004		745,510
2005		535,262
2006		541,862
2007		265,312
2008		265,312
2009		67,312
2010		67,312
2011		<u>67,312</u>
Total	\$	<u>4,154,506</u>

**NOTE G – NOTES PAYABLE**

Notes payable related to construction of JWSD's infrastructure consist of the following at June 30, 2001:

	<u>2001</u>	<u>2000</u>
8.05% note payable to Ohio Water Development Authority due in semi-annual payments of \$71,302, including interest through July, 2015.	\$ 1,172,255	\$ 1,216,898
8.07% note payable to Ohio Water Development Authority due in semi-annual payments of \$134,051, including interest through July, 2015.	2,201,301	2,285,002
7.50% note payable to Ohio Water Development Authority due in semi-annual payments of \$12,431, including interest through July, 2015.	211,056	219,459
7.50% note payable to Ohio Water Development Authority due in semi-annual payments of \$15,361, including interest through July, 2015.	260,806	271,189
7.21% note payable to Ohio Water Development Authority due in semi-annual payments of \$12,396, including interest through July, 2018.	238,567	245,647

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

### NOTE G – NOTES PAYABLE – Continued

	2001	2000
7.14% note payable to Ohio Water Development Authority due in semi-annual payments of \$7,170, including interest through July, 2018.	138,655	142,799
6.16% note payable to Ohio Water Development Authority due in semi-annual payments of \$18,861, including interest through January, 2020.	409,644	421,408
5.85% note payable to Ohio Water Development Authority due in semi-annual payments of \$7,797, including interest through January, 2021.	178,557	183,420
6.72% note payable to Ohio Water Development Authority due in semi-annual payments of \$25,478, including interest through January, 2021.	544,840	558,280
6.18% note payable to Ohio Water Development Authority due in semi-annual payments of \$2,367, including interest through January, 2022.	54,857	56,123
5.56% note payable to Ohio Water Development Authority due in semi-annual payments of \$22,440, including interest through January, 2025.	584,722	511,671
5.77% note payable to Ohio Water Development Authority due in semi-annual payments of \$8,903, including interest through January, 2025.	227,526	139,300
6.41% note payable to Ohio Water Development Authority due in semi-annual payments of \$4,528, including interest through January, 2027.	112,096	37,058
6.39% note payable to Ohio Water Development Authority due in semi-annual payments of \$9,200, including interest through Jan, 2027.	228,186	-
6.39% note payable to Ohio Water Development Authority due in semi-annual payments of \$3,183, including interest through Jan, 2027.	78,954	-
6.39% note payable to Ohio Water Development Authority due in semi-annual payments of \$4,563, including interest through July, 2026.	113,191	-

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

### NOTE G – NOTES PAYABLE - Continued

	2001	2000
6.03% note payable to Ohio Water Development Authority due in semi-annual payments of \$39,137, including interest through July, 2006	1,004,127	-
6.03% note payable to Ohio Water Development Authority due in semi-annual payments of \$6,364, including interest through July, 2026.	163,286	-
6.03% note payable to Ohio Water Development Authority due in semi-annual payments of \$9,007, including interest through July, 2026.	231,102	-
6.03% note payable to Ohio Water Development Authority due in semi-annual payments of \$8,083, including interest through July, 2026.	207,381	-
5.89% note payable to Ohio Water Development Authority due in a balloon of \$320,730 payment, including interest through July, 2006.	277,404	-
6.51% note payable to Ohio Water Development Authority due in semi-annual payments of \$9,856, including interest through July, 2022.	222,270	227,192
5.88% note payable to Ohio Water Development Authority due in semi-annual payments of \$9,785, including interest through Jan, 2023.	235,340	240,753
5.66% note payable to Ohio Water Development Authority due in semi-annual payments of \$16,119, including interest through Jan, 2025.	413,319	421,690
Less current maturities	(134,978)	(109,901)
Total	\$ 9,374,464	\$ 7,067,988

The current portion for 2000 reported on the balance sheet includes notes payable for office equipment and land of \$36,276.

**JEFFERSON WATER & SEWER DISTRICT**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

**NOTE G – NOTES PAYABLE - Continued**

Maturities of the notes payable for the years subsequent to June 30, 2001 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 134,978	\$ 306,493	\$ 441,471
2003	288,285	625,294	913,580
2004	309,838	606,925	916,763
2005	332,289	584,474	916,763
2006	356,394	560,369	916,763
Thereafter	<u>8,087,658</u>	<u>4,684,697</u>	<u>12,772,355</u>
Total	<u>\$ 9,509,442</u>	<u>\$ 7,368,252</u>	<u>\$ 16,877,695</u>

Note payable related to the computer system of June 30, 2001 is as follows:

<u>Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 1,901	\$ 72	\$ 1,973

Com puters

Original balance	\$ 8,580
Annual interest rate	11.24%
Term of loan	3 yrs.
Payments	\$ 281.81
First payment date	2/1/1999
Loan secured by	Computer system

**NOTE H – CAPITAL LEASE OBLIGATIONS**

JWSD entered into several agreements to lease a truck and computer equipment during the fiscal year. The terms of each agreement provide for ownership of the vehicle and equipment, respectively at the end of the lease term. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases".

**JEFFERSON WATER & SEWER DISTRICT**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

**NOTE H – CAPITAL LEASE OBLIGATIONS - Continued**

Property and equipment acquired by lease have been capitalized as equipment in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded as obligations under capital leases on the balance sheet. Principal payments totaled \$9,852 and \$4,759 and interest payments totaled \$2,343 and \$1,070 during 2001 and 2000, respectively. JWSD's future minimum lease payments under capital lease obligations as of June 30, 2001, are as follows:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2002	\$ 12,044
2003	11,611
2004	4,384
2005	-
Total minimum lease payments	28,039
Less: amount representing interest	(3,008)
Present value of minimum lease payments	<u>\$ 25,031</u>

**NOTE I – CONTRIBUTED CAPITAL**

Contributed Capital consists of the following:

**Grants** - Grants have been issued in prior years and the current year to assist JWSD with construction and start-up costs.

**Assessments** – These represent cumulative final assessments for project costs and voluntary assessments paid to JWSD through lump-sum payments, or real-estate semi-annual tax collections.

**Donated Developer Lines** - Once construction and inspection are final for developer water and sewer lines, lines are given/donated to JWSD and recorded at fair value, and the lines become operational.

**NOTE J – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

JWSD participates in the Public Employee Retirement System of Ohio ("PERS"), a cost-sharing multi-employer defined benefit pension plan operated by the State. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy of the report by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

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### **NOTE J – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - Continued**

Public Employee Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution PERS is set aside for the funding of post retirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. For state employers, the rate was 10.65% of covered payroll; 4.30% was the portion that was used to fund healthcare for the year. For local government employer units, the rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund healthcare for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS.

The following summary of assumptions used in the actuarial calculations were based on the System's latest Actuarial Review performed as of December 31, 1999.

Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return – The investment assumption rate for 1999 was 7.75%.

Active Employee Total Payroll – An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Healthcare – Healthcare costs were assumed to increase 4.75% annually.

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999, was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively. The Retirement Board initiated significant policy changes during 2000. A temporary employer contribution rate rollback for calendar year 2000 was enacted. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve healthcare financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons. PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology.

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

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### **NOTE J – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - Continued**

The Pension contribution requirement for JWSD for the years ended June 30, 2001, 2000 and 1999 were \$34,887.80, \$24,856.25 and \$31,176, respectively.

### **NOTE K – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS**

Active deposits are public deposits necessary to meet current demands on the Treasury. Such monies must be maintained either as cash in the JWSD 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 be evidenced either 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.

Interim monies may 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 any 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;
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 items (1) and (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

### NOTE K – DEPOSITS WITH FINANCIAL INSTITUTIONS – LEGAL REQUIREMENTS - Continued

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Protection of JWSD'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 Treasurer 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.

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 JWSD, and must be purchased with the expectation that it will be held to 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 are the carrying amount of deposits and their classifications at June 30, 2001:

JW SD carrying amount of deposits	<u>\$ 653,720</u>
Bank carrying amount of deposits	<u>\$ 1,235,580</u>
Insured by the FDIC	\$ 100,000
Collateralized by third party trustees in single institution collateral pools, securing all public funds on deposit with specific depository institutions	<u>1,135,558</u>
Total	<u>\$ 1,235,580</u>

GASB statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 includes investments that are insured or registered for which the securities are held in the counter party's trust department or agent in JWSD's name. Category 2 includes uninsured and unregistered investments, which are held by the counter party's, trust department or agent in JWSD's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the JWSD's name.



# JEFFERSON WATER & SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2001 and 2000

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### **NOTE L – OTHER REQUIRED FUND DISCLOSURES**

The accumulated fund deficit for JWSD was \$1,200,917 at June 30, 2001.

### **NOTE M – PENDING LITIGATION**

JWSD's general legal counsel is Albers and Albers, Attorneys at Law, Columbus, Ohio.

There is litigation pending in which the JWSD is involved. The litigation involves a contract to provide water and sewer services. Management believes that the potential uninsured claims against JWSD resulting from the litigation would not materially affect the financial statements.

### **NOTE N – RISK MANAGEMENT**

JWSD contracted with Westfield Companies Insurance for commercial general and public liability insurance. The coverage insures up to \$1,000,000 for each occurrence and \$2,000,000 for an aggregate total.

**JEFFERSON WATER & SEWER DISTRICT**

SCHEDULES OF REVENUES AND EXPENSES - WATER

For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>REVENUES</b>		
Service revenues	\$ 444,607	\$ 411,745
Late charges	16,095	18,603
Developer service fees	<u>45,670</u>	<u>51,295</u>
TOTAL WATER OPERATING REVENUES	<u>506,372</u>	<u>481,643</u>
<b>OPERATING EXPENSES</b>		
Testing	2,992	10,357
Subcontract services	17,752	7,427
Plant materials	3,318	3,815
Plant equipment	903	-
Plant chemicals	22,951	15,689
Repairs and maintenance	33,438	14,611
Utilities	48,984	36,285
Telephone	4,396	5,458
Fees and licenses	<u>928</u>	<u>853</u>
TOTAL WATER OPERATING EXPENSES	<u>135,662</u>	<u>94,495</u>
OPERATING INCOME	<u>370,710</u>	<u>387,148</u>
<b>OTHER INCOME (EXPENSES)</b>		
Tap fees:		
Customer	92,893	99,357
Developer	340,861	261,312
Water tap installation	(19,057)	(7,355)
Interest income	48,079	39,197
Meter fees	75,632	78,250
Cost of meters	(71,069)	(73,858)
Fire hydrant usage	-	790
Contractor licenses	1,165	790
Depreciation	(226,877)	(162,041)
Amortization	(3,456)	(1,299)
Interest expense - OWDA loans	<u>(309,706)</u>	<u>(344,978)</u>
TOTAL OTHER INCOME (EXPENSES)	<u>(71,535)</u>	<u>(109,835)</u>
NET WATER INCOME FOR THE YEAR	<u>\$ 299,175</u>	<u>\$ 277,312</u>

See Auditors' Report

# JEFFERSON WATER & SEWER DISTRICT

## SCHEDULES OF REVENUES AND EXPENSES - SEWER

For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>REVENUES</b>		
Service revenues	\$ 283,936	\$ 239,309
Late charges	11,298	9,960
Developer service fees	<u>45,670</u>	<u>51,600</u>
TOTAL SEWER OPERATING REVENUES	<u>340,904</u>	<u>300,869</u>
<b>OPERATING EXPENSES</b>		
Testing	8,422	7,244
Subcontract services	38,394	46,316
Plant materials	3,803	1,159
Plant equipment	2,010	3,887
Plant chemicals	6,738	3,656
Repairs and maintenance	42,790	11,848
Utilities	30,233	23,024
Telephone	5,358	3,943
Fees and licenses	<u>1,867</u>	<u>1,595</u>
TOTAL SEWER OPERATING EXPENSES	<u>139,615</u>	<u>102,671</u>
OPERATING INCOME	<u>201,289</u>	<u>198,197</u>
<b>OTHER INCOME (EXPENSES)</b>		
Tap fees:		
Customer	18,421	23,100
Developer	264,746	191,512
Sewer tap installation	(6,785)	(4,500)
Interest income	7,380	5,530
Depreciation	(199,536)	(156,535)
Amortization	(4,373)	(818)
Interest expense - OWDA loans	<u>(212,433)</u>	<u>(157,437)</u>
TOTALS OTHER INCOME (EXPENSES)	<u>(132,580)</u>	<u>(99,148)</u>
NET SEWER INCOME FOR THE YEAR	<u>\$ 68,709</u>	<u>\$ 99,049</u>

See Auditors' Report

# JEFFERSON WATER & SEWER DISTRICT

## SUPPLEMENTARY SCHEDULES

For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>SERVICE REVENUES</b>		
Service revenues	\$ 728,543	\$ 651,343
Late charges	27,393	28,563
Developer service fees	<u>91,340</u>	<u>102,894</u>
TOTAL SERVICE REVENUES	<u>\$ 847,276</u>	<u>\$ 782,800</u>
 <b>PLANT OPERATIONS EXPENDITURES</b>		
Testing	\$ 11,414	\$ 17,601
Subcontract services	62,623	58,951
Plant materials	7,121	5,119
Plant equipment and supplies	2,913	3,743
Plant chemicals	29,689	19,345
Repairs and maintenance	77,291	27,816
Utilities	<u>79,401</u>	<u>59,309</u>
TOTAL OPERATING PLANT EXPENDITURES	<u>\$ 270,452</u>	<u>\$ 191,884</u>
 <b>SALARIES AND PAYROLL RELATED EXPENSES</b>		
Salaries and wages	\$ 258,732	\$ 180,912
Temporary help	-	1,934
Payroll taxes, PERS and workers comp	42,139	37,597
Employee benefits	<u>26,714</u>	<u>12,949</u>
TOTAL SALARIES AND PAYROLL RELATED EXPENSES	<u>\$ 327,585</u>	<u>\$ 233,392</u>
 <b>INTEREST EXPENSE</b>		
OWDA loans	\$ (534,496)	\$ (506,823)
Equipment loans	(397)	(861)
Capital leases	<u>(2,343)</u>	<u>(1,070)</u>
TOTAL INTEREST EXPENSE	<u>\$ (537,236)</u>	<u>\$ (508,754)</u>

See Auditors' Report

**JEFFERSON WATER & SEWER DISTRICT**

SUPPLEMENTARY SCHEDULES - Continued

For the Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Trustee fees	\$ 19,975	\$ 11,000
Telephone	13,990	11,325
Board discretionary expenditures	1,007	1,340
Insurance	11,805	12,404
Freight and miscellaneous	2,627	2,299
Fees and licenses	2,841	2,448
Legal	31,385	8,928
Engineering	5,703	531
Audit and accounting	15,851	31,524
Office supplies	11,778	12,030
Office small equipment	13,448	8,139
Vehicle maintenance	2,350	568
Vehicle gas and mileage	11,266	6,372
Service agreements	12,607	16,126
Postage	5,947	5,553
Advertising	3,948	346
Books and publications	257	76
Dues and memberships	1,530	1,190
Seminars and training	1,091	1,060
Bank charges and other fees	<u>104</u>	<u>1,265</u>
TOTAL SALARIES, GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 169,510</u>	<u>\$ 134,524</u>
 <b>TAP FEES</b>		
Customer	\$ 111,314	\$ 119,357
Developer	605,606	452,823
Tap installation expense	<u>(25,842)</u>	<u>(11,855)</u>
TOTAL TAP FEES	<u>\$ 691,078</u>	<u>\$ 560,325</u>
 <b>MISCELLANEOUS INCOME (EXPENSE)</b>		
Builders fines	\$ 2,120	\$ 700
Meter fees	75,632	78,250
Cost of meters	(71,069)	(74,761)
Rent income	6,500	5,000
Fire hydrant usage	-	790
Contractor license	1,165	790
Terminated project expense	-	(8,871)
Miscellaneous income	<u>197</u>	<u>149</u>
TOTAL MISCELLANEOUS INCOME	<u>\$ 14,545</u>	<u>\$ 2,047</u>

See Auditors' Report

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees  
Jefferson Water and Sewer District  
Blacklick, Ohio

We have audited the financial statements of Jefferson Water and Sewer District (the "District") as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated January 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the District'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 five instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2001-1813-001 through 2001-1813-005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson Water and Sewer District'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 two matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses as items 2001-1813-006 through 2001-1813-007. We also noted other matters involving the internal control over financial reporting that we have reported to management of Jefferson Water and Sewer District in a separate letter dated January 18, 2002.

This report is intended for the information and use of the board of trustees, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.  
January 18, 2002

**JEFFERSON WATER AND SEWER DISTRICT  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
JUNE 30, 2001**

<u>Finding Number</u>	2001-1813-001
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Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and it is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars (\$100 for counties), the fiscal officer may authorize it to be paid without the authorization of the Board

Twenty-eight of the twenty-eight vouchers tested, greater than \$1,000, were not certified by the fiscal officer until the time of payment. These commitments were not subsequently approved by the Board within the aforementioned 30 day time period.

<u>Finding Number</u>	2001-1813-002
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Ohio Rev. Code Section 9.34 sets forth the fiscal years for government units. It also states that the fiscal year of every school library district and all political subdivisions or taxing districts except for school districts shall begin on January 1 and end on December 31. The District runs on a fiscal year of July 1 through June 30, but does not have an approval letter from the Auditor of State permitting this practice.

<u>Finding Number</u>	2001-1813-003
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Ohio Rev. Code Section 117.38 states, “GAAP-basis entities must file annual reports within 150 days. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. 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 unfilled, not to exceed seven hundred fifty dollars. The District did not file an annual report within 150 days of the fiscal year end.

<u>Finding Number</u>	2001-1813-004
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Ohio Rev. Code Section 117.38 states, “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 District did not public the annual notice for FY 2001.



**JEFFERSON WATER AND SEWER DISTRICT  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
JUNE 30, 2001**

<u>Finding Number</u>	2001-1813-005
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Internal Revenue Regulation Section 1.61-21 requires taxable fringe benefits to be included in an employee's W-2. The Director of the District has had a government owned vehicle since September, 1989. There have been a total of four vehicles that the Director has had since September, 1989. The District has not reflected the amounts of taxable fringe benefits on the Director's W-2 at any time. This is in violation of Internal Revenue Regulation Section 1.61-21.

<u>Finding Number</u>	2001-1813-006
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**REPORTABLE CONDITION – MATERIAL WEAKNESS - CASH**

The District had the following issues regarding lack of cash procedures. The District did not issue checks in numerical order. Checks should be written and issued in numerical order. The District did not retain all voided checks. Voided checks should be retained. Access to checks is not restricted to fiscal personnel. Access to checks should be restricted to fiscal personnel. The District allowed some checks to be handwritten by employees. Checks should only be issued through the accounting software.

The District did not have a second individual verifying the bank reconciliation. Bank reconciliations should be completed by one individual and verified by a second individual. The District did not have the billing and accounts payable/receivable clerks cross trained. Cross training between billing and accounts payable/receivable clerks should be encouraged.

<u>Finding Number</u>	2001-1813-007
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**REPORTABLE CONDITION – MATERIAL WEAKNESS – CASH DISBURSEMENTS**

These issues were noted when a sample of 80 cash disbursements were selected:

- 5 – Voids – Voided in Peachtree – No copy of voided check to view.
- 3 – Unknown – Not on Peachtree as used or voided – No documentation available to view.
- 4 – Checks – On Peachtree – No documentation available to view – Cannot find it or where they cleared the bank.
- 33 – Checks – On Peachtree – No documentation available to view except copy of the check that cleared the bank (cancelled checks are no longer returned by the bank).

Because of the 3 “unknown” checks above, we investigated further. A total of 67 checks during the audit period were not on Peachtree as used or voided in the system, and there was no documentation available to view. The District should implement a system where invoices and supporting documentation is readily available to be viewed.

The District did not have a filing system where invoices and supporting documentation were readily available. The District should implement a system where invoices and supporting documentation are readily available to be viewed. Invoices (supporting documentation) should be either (1) attached to the check stubs, and filed in numerical order so that invoices can be located easily, or (2) if the District wants to keep invoices (supporting documentation) in vendor files, then the check with the check stub still attached should be copied, and the copies should be kept in numerical order so that the District will have a system where invoices and supporting documentation are readily available to be cross-referenced and viewed.

**JEFFERSON WATER AND SEWER DISTRICT  
CONCLUSION STATEMENT  
JUNE 30, 2001**

**A post-audit conference with the Jefferson Water & Sewer District officials was conducted on January 28, 2002 at which time they were notified they had five business days to respond to the preliminary report. All responses were reviewed.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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 WATER AND SEWER DISTRICT**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 19, 2002**