



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 & 1997**



**JIM PETRO  
AUDITOR OF STATE**

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STATE OF OHIO



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## REPORT OF INDEPENDENT ACCOUNTANTS

Ohio & Lee Township Water and Sewer Authority  
Monroe County  
P.O. Box 182  
Hannibal, Ohio 43931

To the Board of Trustees:

We have audited the accompanying financial statement of Ohio & Lee Township Water and Sewer Authority, Monroe County, Ohio, (the Authority) as of and for the years ended December 31, 1999, 1998, and 1997. This financial statement is the responsibility of the Authority's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Authority prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Ohio & Lee Water and Sewer Authority, Monroe County, as of December 31, 1999, 1998, and 1997, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2000 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 25, 2000



**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997**

	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$116,069	\$116,521	105,864
Proceeds of Notes	38,785	41,911	44,453
Interest	4,647	3,370	3,997
	<u>159,501</u>	<u>161,802</u>	<u>154,314</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	56,427	56,203	52,870
Travel Transportation	0	0	98
Contractual Service	9,565	18,051	4,778
Supplies and Materials	7,912	8,702	39,594
Utilities	13,627	12,828	11,915
Equipment	4,107	152	1,275
Engineering	19,458	19,994	0
Other	10,013	11,705	2,657
	<u>121,109</u>	<u>127,635</u>	<u>113,187</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	43,585	46,711	49,253
Trust Fees	127	3,092	0
	<u>43,712</u>	<u>49,803</u>	<u>49,253</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(5,320)</u>	<u>(15,636)</u>	<u>(8,126)</u>
Cash Balance, January 1	<u>71,465</u>	<u>87,101</u>	<u>95,227</u>
<b>Cash Balance, December 31</b>	<u><u>\$66,145</u></u>	<u><u>\$71,465</u></u>	<u><u>\$87,101</u></u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999, 1998, AND 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ohio & Lee Township Water and Sewer Authority, Monroe County, (the Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a five member Board of Trustees appointed by the Monroe County Common Pleas Court Judge. The Authority provides water utility services to residents of Ohio and Lee Townships.

The Authority's management believes this financial statement presents all activities for which the Authority is financially accountable, except for a debt service fund maintained by a trustee bank is not included in this financial statement. These assets are described in Note 5 to the financial statement.

**B. Basis of Accounting**

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**C. Deposits and Investments**

Investments are reported as assets and are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Budgetary Process**

The Authority's Board of Trustees currently does not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the Authority, regardless of whether the Authority levies property taxes. The Authority must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**F. Unpaid Vacation and Sick Leave**

The office manager, billing clerk, and superintendent are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Authority.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999, 1998 AND 1997**  
**(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Authority maintains a cash and investments pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Demand deposits	\$33,002	\$18,322	\$87,101
Certificates of deposit	<u>33,143</u>	<u>53,143</u>	<u>0</u>
Total deposits	<u>\$66,145</u>	<u>\$71,465</u>	<u>\$87,101</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note	<u>\$36,637</u>	4.40%

The Authority has a one-year note with Citizens National Bank that was originally obtained in 1992 in the amount \$56,089 for the purpose of paying an old loan and to pay a consulting engineer. The amount outstanding on this note at December 31, 1999, was \$36,637. This amount is due in the year of 2000. The Authority has been renewing this note on an annual basis.

**4. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, 1998, and 1997, PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries. The Authority has paid all contributions required through December 31, 1999.

**5. RISK MANAGEMENT**

The Authority has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Vehicles
- Property



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

Ohio & Lee Township Water and Sewer Authority  
Monroe County  
P.O. Box 182  
Hannibal, Ohio 43931

To the Board of Trustees:

We have audited the accompanying financial statement of Ohio & Lee Township Water and Sewer Authority, Monroe County, Ohio (the Authority ), as of and for the years ended December 31, 1999, 1998 and 1997, and have issued our report thereon dated February 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-61056-001, 1999-61056-002 and 1999-61056-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated February 25, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings as item 1999-61056-004, 1999-61056-005 and 1999-61056-006.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated February 25, 2000.

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

**Jim Petro**  
Auditor of State

February 25, 2000

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999, 1998, AND 1997**

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

**FINDING NUMBER 1999-61056-001**

Ohio Rev. Code §2921.43 states no public servant shall knowingly solicit or accept and no person shall knowingly promise or give a public servant any compensation, other than as allowed by divisions (G), (H), and (I) of §102.03 of the Ohio Revised Code or other provisions of law, to perform his official duties, to perform any other act or service in the public servant's public capacity, for the general performance of the duties of the servant's public office or public employment, or as a supplement to the public servant's public compensation.

The Board Members were compensated for each Board Meeting attended as well as for additional days the Members worked for the Authority. The Authority did not have a policy and they were unable to locate in their minutes specific approval concerning the Board Members' amount of compensation.

The Board President was employed by the Authority to perform the duties of a Billing Clerk. The Board President was compensated for each Board Meeting attended as well as additional compensation for performing the duties of the Billing Clerk. The Authority was unable to provide documentation to indicate whether the Board President and Billing Clerk positions was a combined position.

We recommend the Authority create a policy which covers the method of computation for the Board Members' annual compensation (e.g., per meeting attended, per month or per day, etc.). Based on the method of compensation approved, the Authority should include provisions in the policy that specifically state the type of support documentation that is needed for such compensation. Also, we recommend the Authority determine if the Board President and Billing Clerk position are separate. Based on this determination, the Authority should incorporate or create a policy to address the compensation to the position or positions. The Authority should consider Ohio Revised Code and other provisions of law, as well as related Ohio Ethics Commission Advisory Opinions, when creating this policy. This matter will be referred to the Ohio Ethics Commission and the Ohio Attorney General.

**FINDING NUMBER 1999-61056-002**

Ohio Rev. Code §102.03 (D) (E) (F) and Ohio Ethics Commission Adv. Op. No. 89-016 prohibits against taking any action, including voting, discussing, deliberating, formally or informally lobbying, on any matter where something of value would go to himself, his family, his business associates, or others whom he has a relationship that would affect his objectivity.

The Board President, which has also been employed by the Authority as the Billing Clerk, participated in approving; Hourly Compensation, Work Schedule, Holiday Pay, and Sick and Vacation Leave Policy, for the Billing Clerk position, during the audit period.

We recommend the Board Members abstain from taking any action on any matter where something of value would go to them self. The Authority's minute record should reflect the Members abstaining. This matter will be referred to the Ohio Ethics Commission and the Ohio Atttorney General.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999, 1998, AND 1997  
(Continued)**

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

**FINDING NUMBER 1999-61056-003**

**FINDING FOR RECOVERY**

Water billings for water rendered to account number 867 in the name of Raymond Walker, Board President and Billing Clerk of the Authority, totaled \$1,159.87 and were unpaid for more than three years. Per the contract signed by Raymond Walker for water service from the Ohio & Lee Township Water and Sewer Authority, bills will be due on the 20<sup>th</sup> day of the month of rendition, and a bill that is not paid within forty-five days, water service may be terminated. At December 31, 1999, Mr. Walker owed the Authority \$1,159.87 for water service.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money that is due, but has not been collected is hereby issued against Raymond Walker, and the Utica National Insurance Group, his bonding company, jointly and severally, in the amount of one thousand one hundred fifty-nine dollars and eighty-seven cents (\$1,159.87), in favor of the Ohio & Lee Township Water and Sewer Authority.

**FINDING NUMBER 1999-61056-004**

**Monitoring of Utility Department Activity**

The Billing Clerk routinely performed all accounting functions for utility billings, including posting to the customer accounts and posting adjustments and charges to customer accounts. The Billing Clerk reconciled the bank's collections of the utility deposits to the customer accounts. However, no formal monitoring review of the customer accounts, other than a report from the Billing Clerk on shut-off notices was documented. This resulted in finding number 1999-61056-003 above and could result in other errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend formal review procedures be established and performed for the monitoring of the utility accounts.

**FINDING NUMBER 1999-61056-005**

**Adjustments to the Financial Statements**

During the audit period, there were numerous adjustments to the financial statements prepared by the Authority due to incorrect balances or cash book amounts not reconciling with the depository. This resulted in adjustments to the financial statements, and, by not accounting properly, the unadjusted line items did not reflect the actual amounts received or disbursed.

We recommend the Billing Clerk consult his Manual for proper classification and take more care in posting the cash book and in preparing the financial statements.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999, 1998, AND 1997  
(Continued)**

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

**FINDING NUMBER 1999-61056-006**

**Water Service Contracts**

The Authority's water service contract states that a customer's water bill that is not paid within forty-five days after the due date may have service immediately discontinued and shall thereupon be resumed only upon full payment of all delinquent water rentals and penalties thereon. The Board President/Billing Clerk's water bill was delinquent for over forty-five days and service was never discontinued. This has resulted in a loss of income to the Authority.

We recommend the Authority initiate monitoring procedures that would detect customer accounts that are delinquent for over forty-five days so appropriate action can be taken to ensure the collection of water sales.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**OHIO & LEE TOWNSHIP WATER AND SEWER AUTHORITY**

**MONROE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 20, 2000**