



**MONROE WATER SYSTEMS
MONROE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MONROE WATER SYSTEMS
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REPORT OF INDEPENDENT ACCOUNTANTS

Monroe Water Systems
Monroe County
43022 Six Points Road
Laings, Ohio 43752

To the Board of Trustees:

We have audited the accompanying financial statement of the Monroe Water Systems, Monroe County, Ohio, (the Water System) as of and for the years ended December 31, 1999 and 1998. The financial statement is the responsibility of the Water System's management. Our responsibility is to express an opinion on the 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 Water System 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 combined fund cash balances of the Monroe Water System, Monroe County, as of December 31, 1999 and 1998, and its combined 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 May 4, 2000, on our consideration of the Water System'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 of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

May 4, 2000

**MONROE WATER SYSTEMS
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	Enterprise Funds	
	1999	1998
Operating Cash Receipts:		
Charges for Services	\$783,967	\$744,292
Miscellaneous	2,158	12,606
	786,125	756,898
Operating Cash Disbursements:		
Personal Services	137,943	124,762
Utilities	58,523	60,322
Repairs and Maintenance	22,389	5,000
Testing and Licences	1,274	4,619
Other Contractual Services	4,251	8,994
Chemicals and Operating Supplies	86,406	52,341
Office Supplies and Materials	6,315	5,738
Insurance	21,654	15,323
Miscellaneous	585	450
	339,340	277,549
Operating Income/(Loss)	446,785	479,349
Non-Operating Cash Receipts:		
Intergovernmental Revenues	11,815	
Miscellaneous	10,750	8,085
	22,565	8,085
Non-Operating Cash Disbursements:		
Debt Service	325,572	336,443
Other Non-Operating Cash Disbursements	1,500	8,906
	327,072	345,349
Net Receipts Over/(Under) Disbursements	142,278	142,085
Fund Cash Balances, January 1	328,721	186,636
Fund Cash Balances, December 31	\$470,999	\$328,721

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

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**MONROE WATER SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Monroe Water Systems, Monroe County, (the Water System) 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 Water System was established as a separate political subdivision of the State of Ohio under the provisions of Chapter 6119 of the Ohio Revised Code. The Water System is directed by an appointed seven-member Board of Trustees and an appointed Business Manager. The Board members are appointed by the Monroe County Common Pleas Court Judge. The Water System provides water services to residents of the Water System.

The Water System's management believes the financial statement presents all activities for which the Water System is financially accountable.

B. Basis of Accounting

The 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.

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

C. Fund Accounting

The Water System uses fund accounting to segregate cash and investments that are restricted as to use. The Water System classifies its funds into the Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Water System had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Debt Retirement Fund - This fund receives a portion of water sale receipts to pay principal and interest on all of the Water System's outstanding debt related to water line and water well construction.

D. Budgetary Process

The Water System's Board of Trustees always adopted an operating budget, but the Water System did not follow other provisions of Ohio Rev. Code Section 5705. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the Water System, regardless of whether the Water System levies property taxes. The Water System must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

**MONROE WATER SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Employees 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 Water System.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Water System maintains a cash and investments pool used by all funds. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$470,999</u>	<u>\$328,721</u>
Total deposits	<u><u>\$470,999</u></u>	<u><u>\$328,721</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and collateralized by securities specifically pledged by the financial institution to the Water System.

3. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$3,432,049	0%-7.89%
Water Resource Revenue Bonds	132,925	7.25%
Ohio Public Works Commission Loan	<u>14,108</u>	0%
Total	<u><u>\$3,579,082</u></u>	

There were seven outstanding loans with the Ohio Water Development Authority (OWDA) for water line construction, which were long term, issued for up to twenty-five years. Property and revenue of the Water System have been pledged to repay these debts.

Water resource revenue bonds were issued for water line construction. Property and revenue of the Water System have been pledged to repay these debts.

The Ohio Public Works Commission (OPWC) Loan is a twenty year loan obtained for the purpose of constructing a new water well. Revenue of the Water System has been pledged to repay this loan.

MONROE WATER SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. DEBT (Continued)

Amortization of the above debt, including interest of \$1,360,844, is scheduled as follows:

Year ending December 31:	OWDA Loans	Water Resource Revenue Bonds	OPWC Loan
2000	\$283,075	\$19,862	\$973
2001	277,575	19,121	973
2002	272,075	18,379	973
2003	272,075	17,638	973
2004	272,075	16,897	973
Subsequent	<u>3,348,559</u>	<u>108,487</u>	<u>9,243</u>
Total	<u>\$4,725,434</u>	<u>\$200,384</u>	<u>\$14,108</u>

The Water System has utilized trustees to service the water resource revenue bonds for water line construction. Payments to trustees are recorded as expenditures in the year deposited with the trustee. The Water System annually submits the amount of principal and interest due to the trustee bank, there no investment services are provided by the trustee.

4. RETIREMENT SYSTEMS

The Water System's full-time 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 post-retirement 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 and 1998, PERS members contributed 8.5% of their gross salaries. The Water System contributed an amount equal to 13.55% of participants' gross salaries. The Water System has paid all contributions required through December 31, 1999.

5. RISK MANAGEMENT

The Water System has obtained commercial insurance for the following risks:

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

The Water System also provides health insurance coverage to full-time employees through a private carrier.

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Monroe Water Systems
Monroe County
43022 Six Points Road
Laings, Ohio 43752

To the Board of Trustees:

We have audited the accompanying financial statement of the Monroe Water Systems, Monroe County, Ohio, (the Water System) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 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 Water System's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Water System in a separate letter dated May 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Water System in a separate letter dated May 4, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 4, 2000



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MONROE WATER SYSTEM

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
JULY 20, 2000