JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, 2004

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 13, 2007

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statement of Jefferson Regional Water Authority, Montgomery County, (the Authority) as of and for the years ended December 31, 2006, 2005 and 2004. These financial statement is the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note B, the Authority has prepared the financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statement presents, GAAP requires an entity wide statement. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended December 31, 2006 and 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of Jefferson Regional Water Authority, Montgomery County, as of December 31, 2006, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note B describes.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 13, 2007

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

	2006	2005	2004
Operating Cash Receipts:			
Charges for Services	$722,185	$727,376	$665,286
Tap in Fees	39,000	53,500	52,700
Miscellaneous	8,753	287	4,794
Total Operating Cash Receipts	769,938	781,163	722,780
Operating Cash Disbursements:			
Personal Services	234,118	236,658	224,717
Contractual Services	17,909	23,761	40,766
Supplies/Equipment	4,251	20,109	6,024
Operations	124,326	168,080	136,265
Repais/Maintenance	44,954	8,942	10,282
Miscellaneous	3,263	10,919	5,928
Debt Service	260,746	168,280	195,843
Total Operating Cash Disbursements	689,567	636,749	619,825
Operating Income/(Loss)	80,371	144,414	102,955
Non-Operating Cash Receipts:			
Interest	25,130	11,711	2,760
Grants	7,250	2,479	177,510
Loan Proceeds		212,567	272,517
Total Non-Operating Cash Receipts	32,380	226,757	452,787
Non-Operating Cash Disbursements:			
Capital Expenditures		229,059	404,594
Total Non-Operating Cash Disbursements		229,059	404,594
Excess of Receipts Over/(Under) Disbursements	112,751	142,112	151,148
Cash Balances, January 1	684,680	542,568	391,420
Cash Balances, December 31	**$797,431**	**$684,680**	**$542,568**

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

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Note A – Nature of Organization

The Jefferson Regional Water Authority, Montgomery 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 nine-member Board of Trustees elected, for three year term, by the members of the district. The board has complete authority over all aspects of the operation. The Authority provides water services to residents of the Authority.

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

Note B – Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in preparation of the accompanying financial statements follows:

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, similar to the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

Cash and Investments

For reporting purposes, the Authority considers "fund cash balances" to be cash on hand, demand deposits, and all investments held by the Authority. Investments are reported as assets and are valued at cost. 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 or redemption are recorded as receipts or disbursements.

Basis of Presentation – Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate entity. The Authority has created a single type of fund and a single fund within that fund type. The fund accounts for the governmental resources allocated to it and the segregation of cash and investments for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type, which the Authority uses, is a Propriety Fund. 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 Authority is the Enterprise Fund.

The Enterprise 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.

Note B – Summary of Significant Accounting Policies (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The Authority has adopted a budget for the years ended December 31, 2006, 2005 and 2004.

Appropriations – Budgetary expenditures (i.e. disbursements and encumbrances) may not exceed appropriations at the fund or level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Authority must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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 the Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Authority's basis of accounting.

Note C – Legal Requirements for Deposits with Financial Institutions

Active deposits are public deposits necessary to meet current demands. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or available for withdrawal 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 period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Note C – Legal Requirements for Deposits with Financial Institutions (Continued)

Interim monies can 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, or any other obligation or security issued by any federal 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 2 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 item (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.
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 the Authority's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the 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 the Authority, 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 the confirmation of transfer from the custodian.

The carrying amount of cash and investments at December 31, 2006, 2005 and 2004 was as follows:

	2006	**2005**	**2004**
Demand deposits	$ 27,451	$ 35,523	$ 8,484
Restricted deposits	175,505	173,211	195,071
Repurchase Agreements	594,275	475,746	338,813
Petty cash	200	200	200
Total cash and investments	$797,431	$684,680	$542,568

Note D – Defined Benefit Retirement Plan

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries and the Authority contributed an amount equal to 13.55 percent of participants' gross salaries. For the year ended December 31, 2006, the members were required to contribute 9 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The District has paid all contributions required through December 31, 2006.

Note E – Debt

Debt outstanding at December 31, 2006 was as follows:

Principal	Interest Rate	
$1,435,000	5.0%	FMHA Loan, 1982
$ 223,390	2.0%	OWDA Loan, 4026
$ 400,009	7.51%	OWDA Loan, 1637
$ 228,300	0%	OPWC Loan, CD07F

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

Ohio Water Development Authority (OWDA) Loan 1637 – The loan was issued on July 1, 1991, for a period of 25 years in the amount of $698,674 with an interest rate of 7.51 percent. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Ohio Water Development Authority (OWDA) Loan 4026 – The loan was issued on January 29, 2004 for a period of 30 years in the amount of $250,000 with an interest rate of 2%. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Note E – Debt (Continued)

Ohio Public Works Commission (OPWC) Loan CD07F - The loan was issued on July 1, 2005 for a period of 20 years in the amount of $246,811 with an interest rate of 0%. Current operations are expected to provide sufficient cash flows to fund debt service requirements.

Amortization of the above debt, including interest is scheduled as follows:

Year Ending December 31:	FMHA Loan 1982	OWDA Loan 1637	OPWC Loan CD07F	OWDA Loan 4226
2007	$131,750	$60,693	$12,341	$10,600
2008	133,750	60,860	12,341	10,600
2009	130,500	61,039	12,341	10,600
2010	132,250	61,232	12,341	10,600
2011	133,750	61,439	12,341	10,600
2012 to 2016	660,000	248,157	61,702	53,003
2017 to 2021	666,250		61,702	53,003
2022 to 2026	131,250		43,191	53,003
2027 to 2031				53,003
2032 to 2034				26,501
Totals	$2,119,500	$553,420	$228,300	$291,513

Note F – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Authority contracted with Swartzel Insurance Agency for various types of insurance coverage as follows:

Comprehensive property	$1,572,432
General liability	$1,000,000
Commercial Umbrella	$2,000,000
Vehicle	$1,000,000
Employee Dishonesty	$ 135,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

Note G – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006, 2005 and 2004 follows:

Budgeted vs. Actual Receipts

Fund Type	2006	2005	2004
Budgeted Receipts	$761,495	$728,245	$707,525
Actual Receipts	802,318	1,007,920	1,175,567
Variance	$40,823	$279,675	$468,042

Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	2006	2005	2004
Appropriation Authority	$761,495	$728,245	$707,525
Budgetary Expenditures	689,567	865,808	1,024,419
Variance	$71,928	($137,563)	($316,894)

Contrary to Ohio law, budgetary expenditures exceeded the District's appropriation authority by $316,894 for the year ended December 31, 2004 and $137,563 for the year ended December 31, 2005. Additionally, the Treasurer did not certify availability of funds at time of purchase or integrate budgetary accounts into the financial accounting system.

Note H – CONTINGENT LIABILITIES

The Authority is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, counsel believes that the resolution of these matters will not materially adversely affect the Authority's financial condition.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statement of the Jefferson Regional Water Authority, Montgomery County, (the Authority) as of and for the years ended December 31, 2006, 2005 and 2004, and have issued our report thereon dated November 13, 2007, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

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Internal Control Over Financial Reporting
(Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings numbered 2006-001 through 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Authority's management in a separate letter dated November 13, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2006-002 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated November 13, 2007.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 13, 2007

SCHEDULE OF FINDINGS
DECEMBER 31, 2006, 2005 AND 2004

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

FINDING NUMBER 2006-001

Material Weakness

The Authority did not complete monthly bank reconciliations timely for 2004, 2005 and 2006. Bank reconciliations should be an integral part of maintaining accurate financial records. To find and correct errors timely, the Authority should implement procedures to complete accurate bank reconciliations monthly. Additionally, monthly bank reconciliations should be submitted to the Board of Trustees for review and approval.

The Board of Trustees should take an active role in monitoring the financial records of the Authority. Resolving this condition and implementing the procedures above would provide the Board of Trustees and management with improved and complete financial reports for proper decision making.

FINDING NUMBER 2006-002

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been budgeted.

On December 31, 2004, expenditures exceeded the budget by $316,894. Also, on December 31, 2005, expenditures exceeded the budget by $137,563.

In addition **Ohio Revised Code Section 5705.36(A)(2)** allows all subdivisions to increase estimated resources upon determination that revenue to be collected will be greater than the original estimate. In 2005 and 2004 the Authority did not budget loan proceeds or grants. Had the Authority amended its estimated resources and the related budget, the disbursements would not have exceeded the budget.

Spending more than the amount budgeted could lead to negative cash balances. Routine comparisons of budgeted versus actual activity should occur and be documented throughout the year to provide information for budgetary amendments or reductions in spending.

FINDING NUMBER 2006-003

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-02(C)(1) requires, in part, that all local public offices integrate the budgetary accounts, at the legal level of control or lower, in to the financial accounting system.

The Authority did not integrate the budgetary accounts into the financial accounting system. The Authority had purchased the Budgetary Control System (BUCS) accounting system and the Comprehensive Integrated Payroll System (CHIPS) for payroll but no employees had been trained on these systems. Use of all the Authority's software packages including the Comprehensive Utility Billing and Control (CUBIC) billing system would save employees from recording the same information multiple times and provide reports for the Board and management. Purchasing the software but not implementing its use does not represent an effective use of Authority assets. The system should be reviewed for its actual usefulness by the Authority.

The Board should implement an accounting system to provide ongoing and timely financial information comparing the Board approved budget to actual expenditures and comparing estimated resources to actual receipts.

FINDING NUMBER 2006-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Authority can authorize the drawing of a warrant for the payment of the amount due. The Authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Authority.

2. **Blanket certificate** - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket certificate** - The Authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Authority did not issue purchase orders for any of its expenditures during 2004, 2005, or 2006. Failure to properly certify the availability of funds could result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility that the Authority's funds would exceed budgetary spending limitations, the Treasurer should certify that the funds are or will be available prior to the obligation by the Authority. When prior certification is not possible, "then and now" certification should be used. The Authority should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification prior to the Authority incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should also post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2006-005

Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 117.38 requires cash basis entities file unaudited financial reports with the Auditor of State's Office in Columbus, Ohio within 60 days of year end. Any public office which does not file the report by the required date shall be subject to a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred and fifty dollars. Further, the public office must publish a notice in a local newspaper stating the financial report is available for public inspection at the Office of the Treasurer.

The Authority's financial reports for 2004, 2005 and 2006 had not been filed with the Auditor of State.

In addition, on December 11, 2006 the Auditor of State determined that the condition of the records were not adequate to complete an audit and declared them to be in an unauditable status. Ninety days were given to revise the financial records and provide the necessary data to complete the audit. When the records were again not timely delivered for audit, a subpoena was served on March 27, 2007. The records, once again, were not timely produced, and the Attorney General was requested to file a subpoena enforcement. On May 24, 2007, the records were presented to the Auditor of States Office for 2004, 2005 and 2006 for audit.

The Authority should develop and implement procedures to provide that the financial records and reports are prepared and filed timely. Additionally, timely reporting should provide improved information for financial decision making purposes.

JEFFERSON REGIONAL WATER AUTHORITY
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2003-001	FMLA 1982 Debt Covenant-Failure to establish reserve account	Yes	
2003-002	ORC Section 117.38 – Failure to file annual reports	No	Repeated as finding 2006-005
2003-003	ORC Section 5705.41 (B) – Expenditures exceeded appropriations.	No	Repeated as finding 2006-002
2003-004	ORC Section 5705.41(D) – Failure to certify funds.	No	Repeated as finding 2006-004
2003-005	Failure to prepare monthly bank reconciliations.	No	Repeated as finding 2006-001
2003-006	Unapproved wire transfer.	Yes	

Mary Taylor, CPA
Auditor of State

JEFFERSON REGIONAL WATER AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2007

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