

YORK TOWNSHIP WATER AUTHORITY
POWHATAN POINT, OHIO

AUDIT REPORT
DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
York Township Water Authority
54320 Captina Drive
Powhatan Point, OH 43942

We have reviewed the Independent Auditor's Report of the York Township Water Authority, Belmont County, prepared by S. R. Snodgrass, A.C., for the audit period January 1, 2001 through December 31, 2002. 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 York Township Water Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 4, 2003

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**YORK TOWNSHIP WATER AUTHORITY
DECEMBER 31, 2002**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
York Township Water Authority
Powhatan Point, Ohio

We have audited the statement of cash receipts, cash disbursements, and changes in cash balances of York Township Water Authority, Belmont County (the Water Authority) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Water Authority'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 of America 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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash fund balance of the Water Authority as of December 31, 2002 and 2001, 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 June 11, 2003, on our consideration of the Water Authority'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 audits.

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

S. N. Srodman, G. C.

Wheeling, West Virginia
June 11, 2003

**YORK TOWNSHIP WATER AUTHORITY
STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

| | <u>2002</u> | <u>2001</u> |
|-----------------------------------------|------------------------|-------------------------|
| OPERATING CASH RECEIPTS | | |
| Charges for services | \$ 59,542 | \$ 58,717 |
| OPERATING CASH DISBURSEMENTS | | |
| Personal services | 14,100 | 11,012 |
| Repairs and maintenance | 14,318 | 1,904 |
| Testing and licenses | 557 | 490 |
| Other contractual services | 36,324 | 34,657 |
| Office supplies and materials | 933 | 1,755 |
| Insurance | 922 | 1,329 |
| Miscellaneous | 633 | 5,574 |
| Total operating cash disbursements | <u>67,787</u> | <u>56,721</u> |
| Operating income (loss) | (8,245) | 1,996 |
| NON-OPERATING CASH RECEIPTS | | |
| Other non-operating revenues | 371 | 624 |
| NON-OPERATING CASH DISBURSEMENTS | | |
| Debt service | <u>8,313</u> | <u>7,538</u> |
| Net receipts over/(under) disbursements | (16,187) | (4,918) |
| CASH BALANCES, JANUARY 1 | <u>25,167</u> | <u>30,085</u> |
| CASH BALANCES, DECEMBER 31 | <u><u>\$ 8,980</u></u> | <u><u>\$ 25,167</u></u> |

The accompanying notes are an integral part of these financial statements.

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The York Township Water Authority, Belmont County (the Water 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 Water Authority is directed by a five member Board of Trustees appointed by the Belmont County Common Pleas Court Judge. The Water Authority provides water utility services to the residents of York Township, Belmont County.

The Water Authority's management believes these financial statements present all activities for which the Water Authority is financially accountable.

Basis of Accounting

These financial statements follow 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 statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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.

Budgetary Process

The Ohio Revised Code requires the Water Authority to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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 Board must annually approve appropriation measures and subsequent amendments.

**YORK TOWNSHIP WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2002 AND 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Water Authority to reserve (encumber) appropriations when commitments are made. The Water Authority did not encumber all commitments as required by Ohio Revised Code Sec. 5705.41 (D).

A summary of the budgetary activity for 2002 is included in Note 3.

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 statements.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Water Authority invests in certificates of deposit. The carrying amount of cash and investments at December 31 was as follows:

| | 2002 | 2001 |
|-------------------------|----------|-----------|
| Demand deposits | \$ 8,980 | \$ 22,518 |
| Certificates of deposit | - | 2,649 |
| Total deposits | \$ 8,980 | \$ 25,167 |

As of December 31, 2002 and 2001, deposits were fully insured by the Federal Deposit Insurance Corporation.

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002 AND 2001**

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending 2002 are as follows:

Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>2002</u> |
|-------------------|-----------------|
| Budgeted Receipts | \$ 57,000 |
| Actual Receipts | <u>59,542</u> |
| Variance | <u>\$ 2,542</u> |

Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>2002</u> |
|-------------------------|------------------|
| Appropriation Authority | \$ 56,253 |
| Budgetary Expenditures | <u>76,100</u> |
| Variance | <u>\$ 19,847</u> |

The Water Authority did not adopt a budget in 2001.

NOTE 4 - DEBT

Debt outstanding at December 31, 2002, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------|------------------|----------------------|
| Water Revenue Bonds | \$ 28,000 | 3.75% |

The Water Authority issued water revenue bonds to finance the construction of a water distribution system. The bonds were issued August 1967 for \$150,000 and have maturities through January 2007. The bonds are collateralized by the future revenues of the Water Authority. The Water Authority will fix and revise rates and charge for services in an amount sufficient to pay the costs of operating and maintaining the system.

**YORK TOWNSHIP WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2002 AND 2001**

NOTE 4 - DEBT (CONTINUED)

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

| <u>Year Ending December 31</u> | |
|------------------------------------|------------------|
| 2003 | \$ - |
| 2004 | 8,050 |
| 2005 | 7,787 |
| 2006 | 7,525 |
| 2007 | <u>7,262</u> |
| Total | <u>\$ 30,624</u> |

The Water Authority paid the principal and interest due January 1, 2003, in December 2002.

NOTE 5 - COMMITMENTS

The Water Authority has entered into a Water Purchase Contract with the Village of Powhatan Point, Ohio. The contract provides that the Village will deliver water to the Water Authority.

The term of the contract is 20 years from January 1, 2000, until January 1, 2020. The rates to be paid for the water delivered are as follows:

| | |
|----------------------|---------------------------|
| 01/01/99 to 12/31/04 | \$ 2.80 per 1,000 gallons |
| 01/01/05 to 12/31/09 | 3.35 per 1,000 gallons |
| 01/01/10 to 12/31/14 | 3.90 per 1,000 gallons |
| 01/01/15 to 12/31/19 | 4.50 per 1,000 gallons |

The initial rate was agreed upon by both parties and made retroactive to January 1, 1999. As a result of this retroactive amount, the Water Authority owed the Village \$10,778 in arrearage. This amount was paid in 24 equal monthly installments with the first payment made on July 15, 2000, and the final payment made on June 10, 2002.

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2002 AND 2001**

NOTE 6 - RETIREMENT SYSTEMS

The Water Authority'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 2002 and 2001, PERS members contributed 8.50% of their gross salaries. The Water Authority contributed an amount equal to 13.55% of participants' gross salaries. The Water Authority has paid all contributions required through December 31, 2002.

NOTE 7 - RISK MANAGEMENT

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

- Comprehensive property and general liability;

The Water Authority is uninsured for the following risks:

- Vehicles
- Errors and omissions.

SNODGRASS

Certified Public Accountants and Consultants



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

Board of Trustees
York Township Water Authority
Powhatan Point, Ohio

We have audited the accompanying financial statements of York Township Water Authority, Belmont County, Ohio (the "Water Authority"), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 11, 2003. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether The Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered The Water Authority'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 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 Authority in a separate letter dated June 11, 2003.

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

S. N. Snodgrass, A.C.

Wheeling, West Virginia
June 11, 2003

YORK TOWNSHIP WATER AUTHORITY

SCHEDULE OF FINDINGS DECEMBER 31, 2002 AND 2001

FINDING NUMBER 2002-001

Ohio Revised Code §5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees 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 (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Water Authority did not properly certify or record the amount against the applicable appropriation accounts for 100% of 2002 and 2001 tested expenditures. The Water Authority did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Water Authority should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

FINDING NUMBER 2002-002

Ohio Revised Code §5705.28 requires the Water Authority to adopt an annual budget.

The Water Authority did not adopt an annual budget for 2001, but did so for 2002.



**Auditor of State
Betty Montgomery**

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YORK TOWNSHIP WATER AUTHORITY

BELMONT 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
SEPTEMBER 2, 2003**