



**Auditor of State
Betty Montgomery**

WARREN WATER AUTHORITY
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Warren Water Authority
Jefferson County
242 Eileen Street
Rayland, Ohio 43943

To the Board of Trustees:

We have audited the accompanying financial statements of the Warren Water Authority, Jefferson County, Ohio, (the Authority) as of and for the years ended December 31, 2003 and 2002. These financial statements are 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 *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.

As discussed in Note 1, the 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 generally accepted accounting principles.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Authority as of December 31, 2003 and 2002, 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 15, 2004 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. 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.

This report is intended solely for the information and use of the audit committee, management, 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 15, 2004

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**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Operating Cash Receipts:		
Charges for Services	\$105,371	\$165,816
Miscellaneous	1,779	5,240
	<u>107,150</u>	<u>171,056</u>
Operating Cash Disbursements:		
Personal Services	11,638	11,410
Utilities	38,200	34,636
Repairs and Maintenance	18,229	24,129
Testing and Licenses	1,109	302
Other Contractual Services	330,612	38,808
Chemicals and Operating Supplies	166	7
Office Supplies and Materials	4,931	5,025
Insurance	6,976	6,574
	<u>411,861</u>	<u>120,891</u>
Operating Income/(Loss)	<u>(304,711)</u>	<u>50,165</u>
Non-Operating Cash Receipts:		
Proceeds from Sale of Public Debt:		
Other Proceeds from Sale of Public Debt	298,954	
	<u>298,954</u>	
Non-Operating Cash Disbursements:		
Debt Service	43,245	16,844
	<u>43,245</u>	<u>16,844</u>
Net Receipts Over/(Under) Disbursements	(49,002)	33,321
Cash Balances, January 1	164,536	131,215
Cash Balances, December 31	<u><u>\$115,534</u></u>	<u><u>\$164,536</u></u>

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

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**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Warren Water Authority, Jefferson 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 three-member Board of Trustees. Board members are appointed for lifetime terms by a County Judge. The Authority serves Warren Township, Jefferson County and Pease Township, Belmont County. The Authority provides water and sewer services to residents of the Authority.

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

B. 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.

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

C. Deposits and Investments

Investments are reported as assets. 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.

Certificates of deposit are valued at cost.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object 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. Appropriations lapse at year end.

2. Estimated Resources

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

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when commitments are made. Outstanding encumbrances at year end are cancelled, and are reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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 statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The carrying amount of cash and investments at December 31 follows:

	2003	2002
Demand deposits	\$17,971	\$66,973
Certificates of deposit	97,563	97,563
Total deposits	\$115,534	\$164,536

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Authority.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

Budgeted vs. Actual Receipts		
Fund Type	2003	2002
Budgeted Receipts	\$104,924	\$134,568
Actual Receipts	406,104	171,056
Variance	\$301,180	\$36,488

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2003	2002
Appropriation Authority	\$0	\$0
Budgetary Expenditures	455,106	137,735
Variance	(\$455,106)	(\$137,735)

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Contrary to Ohio Revised Code § 5705.38, the Authority did not pass an appropriation measure for 2003 or 2002. As a result, the Authority was in violation of Ohio Revised Code § 5705.41(B) for expenditures exceeding appropriations. In addition, the Authority failed to adopt an operating budget as required by Ohio Revised Code § 5705.28 (B)(2)(a).

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Loan	\$295,346	2.00%

The Ohio Water Development Authority loan proceeds were used for the improvement of waterlines within the Authority. The note is collateralized solely by the future revenues from the Authority's water operations.

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

Year ending December 31:	Ohio Water Development Authority Loan
2004	\$7,654
2005	15,308
2006	15,308
2007	15,308
2008	15,308
2009 - 2013	76,540
2014 - 2018	76,540
2019 - 2023	76,540
2024 - 2028	76,532
Total	\$375,038

5. RETIREMENT SYSTEMS

The 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 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2003. The Authority has paid all contributions required through December 31, 2003.

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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



Auditor of State Betty Montgomery

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

Warren Water Authority
Jefferson County
242 Eileen Street
Rayland, Ohio 43943

To the Board of Trustees:

We have audited the accompanying financial statements of the Warren Water Authority, Jefferson County, Ohio, (the Authority) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 15, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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 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.

Warren Water Authority
Jefferson County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 15, 2004

WARREN WATER AUTHORITY
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

Finding Number

2003-001

Ohio Revised Code § 5705.28(B)(2)(a) requires authorities that do not levy a tax to adopt an operating budget on or before July 15th of each year. This operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses, and any amount required for debt. The operating budget is not required to be filed with the county auditor or the budget commission. The Authority failed to adopt an operating budget for 2003 or 2002.

The District should estimate receipts and should adopt an operating budget for each year. Budgeted expenditures should be limited by the amount of estimated receipts and the District should use the budget throughout the year to improve control over finances.

Finding Number

2003-002

Ohio Revised Code § 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed. **Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As the Authority failed to pass any appropriations; all expenditures were not appropriated and were not in compliance with Ohio Revised Code §§ 5705.38 and 5705.41(B).

The Authority should pass an appropriation measure for each year with such approval noted in the minute record. The District Authority then monitor expenditures by comparing the expenditures to appropriations and should approach the Board of Trustees to request amendments to the original appropriations as necessary to guard against overspending.

**WARREN WATER AUTHORITY
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-61241-001	Ohio Revised Code § 5705.38 , Authority did not pass appropriations.	No	Re-issued as Finding 2003-002
2001-61241-002	Ohio Revised Code § 5705.41(B) , expenditures exceeded appropriations	No	Re-issued as Finding 2003-002



**Auditor of State
Betty Montgomery**

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WARREN WATER AUTHORITY

JEFFERSON 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 22, 2004**