

YORK TOWNSHIP WATER AUTHORITY
POWHATAN POINT, OHIO

AUDIT REPORT
DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
York Township Water Authority
54775 Mt. Victory Road
Powhatan Point, Ohio 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, 2003 to December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

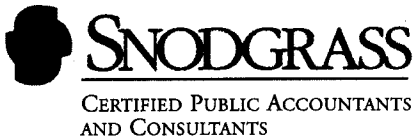
BETTY MONTGOMERY
Auditor of State

July 19, 2005

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**YORK TOWNSHIP WATER AUTHORITY
DECEMBER 31, 2004**

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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, 2004 and 2003. This financial statement is the responsibility of the Water 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 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 statement is 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 described in Note 1, the Water Authority prepares its 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the York Township Water Authority, as of December 31, 2004 and 2003, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash fund balance of the York Township Water Authority as of December 31, 2004 and 2003, 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 20, 2005, 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 grant agreements and other matters. 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* and should be read in conjunction with this report in assessing the results of our audit.

S. H. Snodgrass, A.C.

Wheeling, West Virginia
June 20, 2005

**YORK TOWNSHIP WATER AUTHORITY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
OPERATING CASH RECEIPTS		
Charges for services	<u>\$ 75,459</u>	<u>\$ 63,690</u>
OPERATING CASH DISBURSEMENTS		
Personal services	15,536	13,481
Repairs and maintenance	60,833	1,048
Testing and licenses	783	465
Water purchases	40,350	41,929
Office supplies and materials	1,290	856
Insurance	1,266	997
Miscellaneous	<u>4,543</u>	<u>5,754</u>
Total operating cash disbursements	<u>124,601</u>	<u>64,530</u>
Operating loss	(49,142)	(840)
NON-OPERATING CASH RECEIPTS		
Other non-operating revenues	69	92
Loans and grants	98,217	10,030
NON-OPERATING CASH DISBURSEMENTS		
Debt service	<u>(10,086)</u>	<u>(8,433)</u>
Net receipts over disbursements	39,058	849
CASH BALANCES, JANUARY 1	<u>9,829</u>	<u>8,980</u>
CASH BALANCES, DECEMBER 31	<u><u>\$ 48,887</u></u>	<u><u>\$ 9,829</u></u>

The accompanying notes are an integral part of this financial statement.

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004 AND 2003**

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 this financial statement presents all activities for which the Water Authority is financially accountable.

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.

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

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 STATEMENT (CONTINUED)
DECEMBER 31, 2004 AND 2003**

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 2004 and 2003 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 statement.

NOTE 2 - CASH

The carrying amount of cash at December 31 was as follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$ 44,887</u>	<u>\$ 9,829</u>

As of December 31, 2004 and 2003, deposits were fully insured by the Federal Deposit Insurance Corporation.

**YORK TOWNSHIP WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
 DECEMBER 31, 2004 AND 2003**

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003, are as follows:

Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>2004</u>	<u>2003</u>
Budgeted receipts	\$ 72,095	\$ 66,190
Actual receipts	<u>173,745</u>	<u>73,812</u>
Variance	<u>\$ 101,650</u>	<u>\$ 7,622</u>

Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>2004</u>	<u>2003</u>
Appropriation authority	\$ 66,987	\$ 63,575
Actual expenditures	<u>134,687</u>	<u>72,963</u>
Variance	<u>\$ (67,700)</u>	<u>\$ (9,388)</u>

NOTE 4 - DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Revenue Bonds	\$ 14,000	3.75%
First National Bank of Powhatan	7,930	5.34%
Ohio Environmental Protection Agency	25,000	-

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 STATEMENT (CONTINUED)
DECEMBER 31, 2004 AND 2003**

NOTE 4 - DEBT (CONTINUED)

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

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>	<u>Bank Loan</u>	<u>Ohio EPA</u>	<u>Total</u>
2005	\$ -	\$ 2,292	\$ 25,000	\$ 27,292
2006	7,525	2,292	-	9,817
2007	7,262	2,292	-	9,554
2008	-	1,910	-	1,910
Total	<u>\$ 14,787</u>	<u>\$ 8,786</u>	<u>\$ 25,000</u>	<u>\$ 48,573</u>

The Water Authority paid the principal and interest due January 1, 2005, in December 2004.

NOTE 5 – COMMITMENTS AND CONCENTRATIONS

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:

01/01/05 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

For the years ended December 31, 2003 and 2004, the Water Authority purchased 100 percent of its water from the Village of Powhatan Point, Ohio at a rate of \$2.80 per 1,000 gallons.

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
DECEMBER 31, 2004 AND 2003**

NOTE 6 - RETIREMENT SYSTEM

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 2004 and 2003, PERS members contributed 8.50 percent of their gross salaries. The Water Authority contributed an amount equal to 13.55 percent of participants' gross salaries. The Water Authority has paid all contributions required through December 31, 2004.

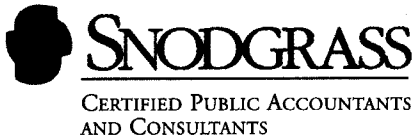
NOTE 7 - RISK MANAGEMENT

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.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 statement of York Township Water Authority, Belmont County, Ohio (the "Water Authority"), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 20, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 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 statement 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 20, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Water Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. A. Snodgrass, A.C.

Wheeling, West Virginia
June 20, 2005



**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
AUGUST 4, 2005**