



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

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**Auditor of State
Betty Montgomery**

Warren Regional Water and Sewer District
Jefferson County
242 Eileen Street
Rayland, Ohio 43943

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 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.

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

Betty Montgomery
Auditor of State

November 27, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Warren Regional Water and Sewer District
Jefferson County
242 Eileen Street
Rayland, Ohio 43943

To the Board of Trustees:

We have audited the accompanying financial statements of Warren Regional Water and Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the District'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 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, 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 paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2004, or its changes in financial position or its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Warren Regional Water and Sewer District, Jefferson County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The District 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 27, 2006, on our consideration of the District'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.



Betty Montgomery
Auditor of State

November 27, 2006

**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL PROPRIETARY FUND TYPES -
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>Proprietary Fund Types</u>	
	Enterprise	Enterprise
	<u>2005</u>	<u>2004</u>
Operating Cash Receipts:		
Charges for Services	\$116,283	\$109,580
Total Operating Cash Receipts	<u>116,283</u>	<u>109,580</u>
Operating Cash Disbursements:		
Personal Services	17,351	17,190
Utilities	45,868	44,701
Repairs and Maintenance	26,232	10,798
Testing and Licenses	1,006	1,219
Other Contractual Services	10,723	13,165
Chemicals and Operating Supplies		3,138
Office Supplies and Materials	4,634	3,220
Insurance	2,902	2,946
Capital Outlay		
Total Operating Cash Disbursements	<u>108,716</u>	<u>96,377</u>
Operating Income/(Loss)	<u>7,567</u>	<u>13,203</u>
Non-Operating Cash Receipts:		
Proceeds from Sale of Public Debt:		
Sale of Notes	10,000	
Miscellaneous	1,313	1,410
Other Non-Operating Revenues	<u>3,855</u>	
Total Non-Operating Cash Receipts	<u>15,168</u>	<u>1,410</u>
Non-Operating Cash Disbursements:		
Debt Service	<u>25,481</u>	<u>15,308</u>
Total Non-Operating Cash Disbursements	<u>25,481</u>	<u>15,308</u>
Excess of Receipts Over/(Under) Disbursements	<u>(2,746)</u>	<u>(695)</u>
Cash Balances, January 1	<u>114,839</u>	<u>115,534</u>
Cash Balances, December 31	<u><u>\$112,093</u></u>	<u><u>\$114,839</u></u>

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

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**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Warren Regional Water and Sewer District, Jefferson County, (the District) as a body corporate and politic. The District is directed by a three-member Board of Trustees. Board members are appointed for lifetime terms by a County Judge. Subdivisions within the District are Warren Township, Jefferson County and Pease Township, Belmont County. The District provides water and sewer services to residents of the District.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively.

The accounting basis values certificates of deposit.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District 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 District had the following significant Enterprise Funds:

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

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

OWDA Fund - This fund receives a portion of water and sewer charges and pays the related debt.

**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

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. The District did not establish appropriations for 2005 or 2004, contrary to Ohio Law.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Because the District did not establish appropriations, the District did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District may invest in certificates of deposit.

The District maintains a cash and investments pool all funds use. The carrying amount of cash and investments at December 31 follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$14,530	\$17,276
Certificates of deposit	97,563	97,563
Total deposits	<u>112,093</u>	<u>114,839</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

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

Fund Type	2005	2004
Budgeted Receipts	\$109,829	\$105,400
Actual Receipts	131,451	110,990
Variance	<u>\$21,622</u>	<u>\$5,590</u>

Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	2005	2004
Appropriation Authority	\$0	\$0
Budgetary Expenditures	134,197	111,685
Variance	<u>(\$134,197)</u>	<u>(\$111,685)</u>

Contrary to Ohio Revised Code Section 5705.38, the District did not pass on appropriation measure for 2005 or 2004. As a result, the District was in violation of the Ohio Revised Code Section 5705.41(B) for expenditures exceeding appropriations.

4. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan	\$276,269	2.00%
Total	<u>\$276,269</u>	

The Ohio Water Development Authority (OWDA) loan was issued in 2003 to finance improvements and construction of water distribution facilities. Future revenues of the District's water operations collateralize the note.

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

**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. DEBT (Continued)

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2006	15,308
2007	15,308
2008	15,308
2009	15,308
2010	15,308
2011-2015	76,540
2016-2020	76,540
2021-2025	76,540
2026-2028	38,270
Total	<u>\$344,430</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through. The District has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

The District 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Warren Regional Water and Sewer District
Jefferson County
242 Eileen Street
Rayland, Ohio 43943

To the Board of Trustees:

We have audited the financial statements of the Warren Regional Water and Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 27, 2006, wherein we noted the District 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 District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated November 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. We also noted other matters of immaterial noncompliance which we have reported to the District's management in a separate letter dated November 27, 2006.

Warren Regional Water and Sewer District
Jefferson County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for 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

November 27, 2006

WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Noncompliance Citation

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

As the Board of Trustees did not pass an appropriation measure for 2004 or for 2005 and as expenditures are limited by the appropriations established for each fund, all expenditures made by the District in 2004 and in 2005 were not in compliance with Ohio Revised Code.

Failure to establish appropriations for all funds could result in overspending and negative cash balances. To comply with budgetary requirements, the Board of Trustees should pass a permanent appropriation measure for all District funds by April 1. The Board of Trustees should continually monitor budget versus actual amounts to ensure that overspending does not occur. The Clerk should not certify the availability of funds and should deny payment requests, which exceed appropriations.

Officials' Response

We did not receive a response from Officials to this finding.

WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Ohio Revised Code Section 5705.28(B)(2)(a)	No	Partially Corrected; issued in management letter for current year
2003-002	Ohio Revised Code Section 5705.38 and 5705.41(B)	No	Not Corrected; issued in current year report as finding 2005-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WARREN REGIONAL WATER AND SEWER DISTRICT

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
JANUARY 16, 2007**