

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY
Regular Audit
For the Years Ended December 31, 2007 and 2006**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Tri-County Rural Water and Sewer District
20 Anderson Lane
Waterford, Ohio 45786

We have reviewed the *Independent Accountants' Report* of the Tri-County Rural Water and Sewer District, Washington County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2006 through December 31, 2007. 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 Tri-County Rural Water and Sewer District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 12, 2008

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**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

August 18, 2008

Tri-County Rural Water & Sewer District
Washington County
20 Anderson Lane
Waterford, OH 45786

To the Members of the Board:

We have audited the accompanying basic financial statements of the **Tri-County Rural Water & Sewer District, Washington County, Ohio**, (the District) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 *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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tri-County Rural Water & Sewer District as of December 31, 2007 and 2006 and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2008, 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, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Tri-County Rural Water & Sewer District
Washington County
Independent Accountants' Report
Page 2

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)**

The following discussion provides a summary overview of the financial activities of the Tri-County Rural Water & Sewer District ("the District") for the years ended December 31, 2007 and 2006. The information should be read in conjunction with the basic financial statements included in this report.

Financial Highlights

Key financial highlights are as follows:

Assets exceeded liabilities by \$605,260 and \$693,155 as of December 31, 2007 and 2006 respectively.

Net assets decreased by \$87,895 in 2007.

Operating revenues increased by \$63,012 (7%) and operating expenses increased by \$50,534 (5%) in 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and the accompanying notes to the financial statements. These statements report information about the District as a whole and about its activities. The District is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets presents the District's financial position and reports the resources owned by the District (assets), obligations owed by the District (liabilities) and the District's net assets (the difference between assets and liabilities). It provides a way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of how the District's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees.

The Statement of Cash Flows provides information about the District's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

Net Assets

The tables below provide a summary of the District's financial position and operations for 2007, 2006 and 2005, respectively.

(Table 1)

Condensed Statement of Net Assets as of December 31

	Governmental Activities		
	2007	2006	2005
Assets			
Current & Other Assets	\$ 495,122	\$ 452,900	\$ 429,793
Restricted Cash	208,204	123,923	64,929
Fixed Assets, Net	6,181,046	6,606,498	6,960,372
Other Assets	51,354	52,184	52,802
Total Assets	<u>6,935,726</u>	<u>7,235,505</u>	<u>7,507,896</u>
Liabilities			
Current Liabilities	582,433	530,542	492,655
Long Term liabilities	5,748,035	6,011,809	6,219,711
Total Liabilities	<u>6,330,468</u>	<u>6,542,351</u>	<u>6,712,366</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	150,698	324,716	482,307
Retricted	208,204	123,923	64,929
Unretricted	246,356	244,515	248,294
Total Net Assets	<u>\$ 605,258</u>	<u>\$ 693,154</u>	<u>\$ 795,530</u>

As noted earlier, the net assets may serve as a useful indicator of financial position. The District's assets exceeded liabilities by \$605,258, \$693,154 and \$795,530 respectively, for December 31, 2007, 2006 and 2005.

The largest portion of the District's net assets is reflected in its cash and capital assets, less accumulated depreciation. The District strives to keep adequate cash reserves on hand in order to maintain or expand its facilities to meet the needs of its customers and to comply with regulatory requirements.

For the year ended December 31, 2007, total assets of the District decreased by \$299,778 due to increase in accumulated depreciation, which was from the systematic expense of the cost of fixed assets. The Liabilities of the District decreased by \$211,883 due mainly to decrease in notes payable.

For the year ended December 31, 2006, total assets of the District decreased by \$272,390 due to increase in accumulated depreciation, which was from the systematic expense of the cost of fixed assets. The Liabilities of the District decreased by \$170,015 due mainly to decrease in notes payable.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

Changes in Net Assets

The following table summarizes the changes in revenues and expenses for the District for 2007, 2006 and 2005.

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Assets as of

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
Operating Revenues	\$ 836,138	\$ 782,924	\$ 777,010
Nonoperating Revenues	88,367	78,569	150,187
Total Revenues	<u>924,505</u>	<u>861,493</u>	<u>927,197</u>
Expenses			
Operating Expenses	700,787	639,303	724,122
Nonoperating Expenses	311,615	322,565	329,948
Total Expenses	<u>1,012,402</u>	<u>961,868</u>	<u>1,054,070</u>
Income/(Loss)	(87,897)	(100,375)	(126,873)
Net Assets, January 1	693,155	793,530	922,403
Net Assets, December 31	<u>\$ 605,258</u>	<u>\$ 693,155</u>	<u>\$ 795,530</u>

Revenues increased by \$63,012. This increase is due to an increase in water sales.

Expenses increased by \$50,534. The increase is due to an increase in utilities, increase in salaries, and higher depreciation expense. These increases were offset by a slight decrease in legal and accounting fees.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

Capital Assets

As of December 31, 2007, the District had \$6,181,046 invested in net capital assets. This amount represents a net decrease of \$425,452 (6.44%) under 2006.

Capital Assets as of December 31

	2007	2006	2005
Land	\$ 258,508	\$ 258,508	\$ 258,508
Buildings	23,617	23,617	23,617
Machinery and Equipment	57,934	57,934	52,122
Office Furniture and Fixtures	20,061	20,061	19,044
Autos and Trucks	10,856	24,823	24,823
Construction in Progress	342,712	342,712	343,374
Water System	9,544,949	9,544,949	9,544,948
Less: Accumulated Depreciation	(4,077,591)	(3,666,106)	(3,306,064)
Totals	<u>\$ 6,181,046</u>	<u>\$ 6,606,498</u>	<u>\$ 6,960,372</u>

Additional information on the District's capital assets can be found in Notes to the financial statements.

Debt

As of December 31, 2007 and 2006, the District had long-term loans outstanding with the Ohio Water Development Authority totaling \$4,869,776 and \$5,041,953, respectively.

The District has received a planning loan for a possible interconnect between the District and private water companies in Noble County, Ohio. The total planning loan including \$ 51,563 of capitalized interest is \$380,998. The District has drawn down funds of \$329,435, and \$15,167 of funds are available. This loan's first payment is not scheduled until July 1, 2009. At which time it is anticipated that the planning loan will be rolled into a construction loan.

As of December 31, 2007 and 2006, the District had \$1,156,315 and \$1,234,041, respectively, in long-term loans outstanding with the Ohio Public Works Commission.

The District financed the purchase of a 2000 Chevy S-10 at the Citizen Bank. The balance on the Citizens Bank Loan as of December 31, 2007 and 2006 was \$4,257 and \$5,787, respectively.

Additional information concerning the District's debt can be found in the notes to the financial statements

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Candice Armstrong, General Manager, at 20 Anderson Lane, Waterford, OH 45786-5327

Tri-County Rural Water and Sewer District
Statement of Net Assets
For the Years Ended December 31, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and Cash Equivalents	\$ 409,693	\$ 374,622
Accounts Receivable-Customers (Net)	84,364	77,476
Accrued Interest Receivable	1,065	802
Restricted Assets:		
Cash and Cash Equivalents	208,204	123,923
Total Current Assets	<u>703,326</u>	<u>576,823</u>
Property and Equipment		
Land	258,508	258,508
Buildings	23,617	23,617
Machinery and Equipment	57,934	57,934
Office Furniture and Fixtures	20,061	20,061
Autos and Trucks	10,856	24,823
Construction in Progress	342,712	342,712
Water System - Wells	199,576	199,576
Water System - Meter/Taps/Hydrants	377,086	377,086
Water System - Water Lines	6,739,977	6,739,977
Water System - Stations	920,258	920,258
Water System - Tanks/Towers	1,308,052	1,308,052
Less: Accumulated Depreciation	<u>(4,077,591)</u>	<u>(3,666,106)</u>
Net Fixed Assets	<u>6,181,046</u>	<u>6,606,498</u>
Other Assets:		
Loan Closing Fees	14,000	14,830
Right of Ways	37,054	37,054
Advance Deposits	300	300
Total Other Assets	<u>51,354</u>	<u>52,184</u>
 Total Assets	 <u>\$ 6,935,726</u>	 <u>\$ 7,235,505</u>

The accompanying notes are an integral part of these financial statements

Tri County Rural Water and Sewer District
Statement of Net Assets
For the Years Ended December 31, 2007 and 2006

	2007	2006
Liabilities and Net Assets		
Liabilities:		
Current Liabilities:		
Accounts Payable	834	992
Current Portion of Long-Term Debt	282,313	269,973
Customer Security Deposits	585	585
Noble Co. Rural Water Advance	148,571	102,397
Payroll Withholdings	2,432	2,490
Accrued Payroll	1,687	1,483
Accrued Payroll Taxes	3,600	3,991
Accrued Interest Payable	141,666	147,648
Accrued Vacation and Sick Leave	745	983
Total Current Liabilities	582,433	530,542
Long Term Liabilities:		
Notes Payable OWDA	4,869,776	5,041,953
Notes Payable OPWC	1,156,315	1,234,041
Note Payable Citizens Bank	4,257	5,788
Less: Current Portion of Long-Term Debt	(282,313)	(269,973)
Total Long-Term Liabilities	5,748,035	6,011,809
Total Liabilities	6,330,468	6,542,351
NET ASSETS:		
Invested in Capital Assets, Net of Debt	150,698	324,716
Restricted	208,204	123,923
Unrestricted	246,356	244,515
Total Net Assets	605,258	693,154
Total Liabilities & Net Assets	\$ 6,935,726	\$ 7,235,505

The accompanying notes are an intergral part of these financial statements

Tri-County Rural Water and Sewer District
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006

	2007	2006
Operating Revenues:		
Charge for Services	\$ 802,540	\$ 749,662
Tap Fees	16,400	18,924
Finance Charges	14,098	11,338
Reconnect Fees	3,100	3,000
Miscellaneous Income	-	-
Total Operating Revenues	836,138	782,924
Operating Expenses:		
Advertising	107	399
Amortization Expense	830	830
Auto-Truck Travel	3,357	1,839
Bad Debts	-	107
Chemicals	6,350	5,778
Contract Labor	19,088	16,208
Depreciation Expense	425,453	359,906
Fuel, Oil and Grease	3,742	3,247
Dues and Subscriptions	1,790	1,648
Insurance	5,427	5,440
Hospital Insurance	15,284	13,174
Legal and Accounting	21,020	40,961
Repairs and Maintenance	8,620	7,632
Office	7,898	7,992
Pension - PERS	10,526	11,373
Postage	3,919	3,491
Recording/Filing Fees	116	96
Rent	1,800	1,800
Salaries	75,966	81,287
Supplies	17,147	14,931
Payroll Taxes	10,044	6,131
Other Taxes	19	-
Telephone	3,055	3,080
Tools	71	-
Travel and Entertainment	2,365	2,193
Training	545	605
System Electric	49,155	42,932
Other Utilities	1,428	2,462
Sewer/Beverly Hills	2,332	1,442
Water Testing	2,966	2,320
Wellfield Development	366	-
Total Operating Expenses	700,786	639,304
Operating Income	135,352	143,620

The accompanying notes are an intergral part of these financial statements

Tri- County Rural Water and Sewer District
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006
(Continued)

Nonoperating Revenues (Expenses)

Other (Expenses):		
Interest Earned	4,217	3,449
Surcharge/Financed Taps	69,433	68,232
Other Non-Operating Revenues (Losses)	14,717	6,888
Interest Expense	<u>(311,615)</u>	<u>(322,565)</u>
Total Nonoperating Revenues (Expenses)	<u>(223,248)</u>	<u>(243,996)</u>
Net Income (Loss)	(87,896)	(100,376)
Net Assets, Beginning of Year	<u>693,154</u>	<u>793,530</u>
Net Assets, Ending of Year	<u>\$ 605,258</u>	<u>\$ 693,154</u>

The accompanying notes are an integral part of these financial statements

**TRI-COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 829,250	\$ 777,548
Cash Payments to Suppliers for Goods and Services	(148,722)	(163,936)
Cash Payments to Employees for Services	(86,493)	(89,108)
	594,035	524,504
Net Cash Provided by (Used by) Operations		
Cash Flows from Capital and Related Financing Activities:		
Retirement of Long-Term Debt	(269,953)	(258,348)
Acquisition of Property and Equipment	-	(6,830)
Other Non-operating Revenues	13,717	6,888
Proceeds from Long-Term Debt	18,519	62,066
Interest Paid	(311,615)	(322,565)
	(549,332)	(518,789)
Net Cash Provided by (Used by) Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Investment Income	4,217	3,449
Sale of Assets- Truck	1,000	-
Surcharged Finance Taps	69,433	68,232
	74,650	71,681
Net Cash Provided (Used) by Investing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	119,353	77,396
Cash and Cash Equivalents - January 1	498,545	421,149
Cash and Cash Equivalents - December 31	\$ 617,898	\$ 498,545
Cash Flows from Operating Activities:		
Operating Income	135,352	143,620
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Deprecitation/Ammortization	426,283	360,736
Decrease/(Increase) in Accounts Receivable	(6,888)	(5,376)
Increase in Noble Co. Rural Water Deposits	46,174	45,603
Decrease/(Increase) in Accrued Interest Receivable	(263)	(151)
Increase/(Decrease) Payroll Withholdings	(58)	1,317
Increase/(Decrease) Customer Deposits	-	22
Increase/(Decrease) Right-of-Ways	-	(212)
Increase/(Decrease) Accounts Payable	(158)	(2,882)
Increase/(Decrease) Accrued Interest	(5,982)	(19,512)
Increase/(Decrease) Accrued Payroll	204	86
Increase/(Decrease) Accrued Vacation Pay	(238)	(1,555)
Increase/(Decrease) Accrued Payroll Taxes	(391)	2,808
	458,683	380,884
Total Adjustments		
Net Cash Provided by (Used by) Operating Activities	\$ 594,035	\$ 524,504

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

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tri-County Rural Water and Sewer District Washington County (the District), 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 District was established as a separate political subdivision of the State of Ohio under provision of Chapter 6119 of the Ohio Revised Code. The Water District is directed by an elected seven-member Board of Trustees. These board members are elected by the membership (any consumer who has paid for a tap). An appointed staff consisting of a general manager, distribution operator, and one office clerk are responsible for fiscal control of the resources of the District. The District provides water and sewer services to residents of the District.

B. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the business-type activities financial statements. Basis of accounting relates to the timing of measurements made. The accounting policies of the District conform to generally accepted accounting principles.

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net assets. Equity (i.e., total net assets) is segregated into restricted and unrestricted net assets components. The operating statements present increases (i.e. revenues) and decreases (i.e., expenses) in total net assets.

Pursuant to GASB Statement No. 20: *Accounting Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins* issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Enterprise activity is accounted for in the manner similar to private business enterprises where the intent of management is that the costs and expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability.

The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

The District's policy on defining operation revenues is all revenue generated from water and sewer operation. Non-operating revenues are those not connected to the operations.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. One of the significant changes in the Statement includes a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's financial position and results of operations. The District has elected to implement the general provisions of the Statement in 2004. As a result, an entirely new financial presentation format has been implemented.

The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989 to business-type activities and enterprise funds, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

C. Budgetary Process

Note: Under HB 262, effective for fiscal years ending December 2000 and subsequent, Water and Sewer Systems not levying property taxes must follow most of the Ohio Revised Code Chapter 5705 budget requirements, but need not seek approval of county budget commission for any budgetary actions.

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

Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. The Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant and Equipment

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included or capitalized. Property, plant and equipment of the District are recorded at cost. Property, plant, and equipment donated are recorded at their estimated fair value at the date of donation. Major outlays for Capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Property, plant and equipment reflected are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
Water Systems	25	Furniture/Equipment	5-7
Buildings	15	Vehicles	5

E. Contributed Capital

Contributed capital consists of grants restricted to capital acquisitions, fixed assets received from developers and tap fees in excess of related costs. These assets are recorded at their fair market value on the date contributed. Capital contributions received in 2007 have been recorded as revenues and were reported as increases in net assets based on new guidelines established by GASB Statement 33, Accounting and Reporting for Non-Exchange Transactions.

F. Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current two-year 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.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. CASH AND CASH EQUIVALENTS (Continued)

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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the District by the financial institution, or by a single collateral established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may 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, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home bank loan, 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 two 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 division (1) or (2), this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurers Investment pool (STAROHIO). 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 District, 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 confirmation of transfer from the custodian.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. CASH AND CASH EQUIVALENTS (Continued)

The following information classifies deposits by categories of risk as defined in GASB Statement 40, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At December 31 the carrying amount of the District's deposits was as follows:

	2007	2006
Demand deposits	\$ 617,898	\$ 498,545

At December 31, the bank balance of the District's deposits was as follows:

	2007	2006
Demand deposits	\$ 622,260	\$ 480,168

At December 31, 2007 and 2006, \$100,000 of the bank balance each year was insured by the Federal Deposit Insurance Corporation and \$522,260 and \$380,168, respectively, was insured by a repurchasing agreement through Citizens Bank.

Investments: The District did not have any investments during 2007 and 2006.

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No.9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting." For the purposes of Statement of Cash Flows and for presentation on the Balance Sheet, investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments within initial maturity of more than three months are reported as investments.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

Budgeted vs. Actual Receipts

	2007	2006
Budgeted Receipts	\$ 965,065	\$ 903,398
Actual Receipt	965,065	903,398
Variance	\$ -	\$ -

Budgeted vs. Actual Expenditures

	2007	2006
Budgeted Receipts	\$ 845,711	\$ 884,997
Actual Receipt	845,711	884,997
Variance	\$ -	\$ -

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. LONG TERM LIABILITIES

Debt outstanding at December 31, 2007 and 2006 consisted of the following:

Ohio Water Development Authority

Name of Loan	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amount Due in One Year
Note dated July 1 1995, due 2021, with interest at 6.72%	\$ 3,999,542	\$ -	\$ (146,788)	\$ 3,852,754	\$ -	\$ (156,653)	\$ 3,696,101	\$ 167,180
Note dated July 1 1995, due 2022 with interest at 6.51%	216,265	-	(8,077)	208,188	-	(8,603)	199,585	9,162
Noted dated January 30, 1997, due 2022, with interest at 6.12%	70,131	-	(2,460)	67,671	-	(2,610)	65,061	2,770
Note dated July 24, 1997, due 2023, with interest at 6.11%	25,211	-	(845)	24,366	-	(897)	23,469	952
Note dated February 26, 1998, due 2023, with interest at 5.73%	9,423	-	(312)	9,111	-	(331)	8,780	350
Note dated March 25, 1999, due 2026, with interest at 2.0%	71,497	-	(2,856)	68,641	-	(2,913)	65,728	2,972
Note dated June 24, 1999, due 2024, with interest at 5.56%	194,856	-	(5,987)	188,869	-	(6,324)	182,545	6,681
Note dated December 14, 2000, due 2021, with interest at 2.0%	300,413	-	(128,820)	171,593	-	(9,915)	161,678	10,114
Note dated January 1, 2003 due 2035, with interest at 1.5%	90,695	-	(2,414)	88,281	-	(2,450)	85,831	2,487
Noted dated July 1, 2001, due 2021, with interest at 2.0%	181,314	181,165		362,479	18,519		380,998	-
TOTALS	\$ 5,159,347	\$ 181,165	\$ (298,559)	\$ 5,041,953	\$ 18,519	\$ (190,696)	\$ 4,869,776	\$ 202,668

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. LONG TERM LIABILITIES (Continued)

The notes listed above are for the various fixed assets constructed to provide service from the wells to the distribution lines, including the operations plant and various storage facilities. Property and revenue of the District have been pledged to repay these debts.

The District has received a planning loan for a possible interconnect between the District and private water companies in Noble County, Ohio. The total planning loan including \$ 51,563 of capitalized interest is \$380,998. The District has drawn down funds of \$329,435, and \$15,167 of funds are available. This loan's first payment is not scheduled until July 1, 2009. At which time it is anticipated that the planning loan will be rolled into a construction loan.

Ohio Public Works Commission

The District incurred various debts under Issue II funding of the Ohio Public Works Commission (OPWC). Terms of all existing notes payable except Note CR20G, as noted below, include twenty (20) year maturity dates and an interest rate of zero (0) percent per annum.

The notes payable to the Ohio Public Works Commission are pursuant to Ohio Rev. Code 104.05 and Ohio Admin. Code §164-4-21. The Project Agreement entered into between the Ohio Public Works Commission and the District states that the above sums are to be used for the purpose of financing or reimbursing the costs of the indicated projects.

Balances on the OPWC notes payable as of December 31, 2007 and 2006, are as follows:

Ohio Public Works Commission

Name of Loan	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amount Due in One Year
Round 3 - CR314	\$ 86,316	\$ -	\$ (5,570)	\$ 80,746	\$ -	\$ (5,568)	\$ 75,178	\$ 5,569
Round 5 - CR530	158,100	-	(10,200)	147,900	-	(10,200)	137,700	10,200
Round 7 - CR729	208,165	-	(13,430)	194,735	-	(13,430)	181,305	13,430
Round 9 - CR935	276,706	-	(17,852)	258,854	-	(17,852)	241,002	17,852
CR 14C	282,159	-	(14,591)	267,568	-	(14,885)	252,683	15,183
CR 20G	300,029	-	(15,790)	284,238	-	(15,791)	268,447	15,791
Total	\$ 1,311,475	\$ -	\$ (77,433)	\$ 1,234,041	\$ -	\$ (77,726)	\$ 1,156,315	\$ 78,025

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. LONG TERM LIABILITIES (Continued)

The notes listed above between the district and Ohio Public Works Commission are pursuant to Ohio Rev. Code 104.05 and Ohio Admin. Code 164.4-21. The Project Agreement entered into between Ohio Public Works Commission and the District states that the above sums are to be used for the purpose of financing or reimbursing the costs of the projects.

The district financed the purchase of a 2000 Chevy S-10 at the Citizen Bank. The interest rate is 4.35% due July 2010. The balance on the Citizens Bank Loan as of December 31, 2007 and 2006 is as follows:

Citizen Bank

Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amount Due in One Year
\$ 7,243	\$ -	\$ (1,455)	\$ 5,788	\$ -	\$ (1,531)	\$ 4,257	\$ 1,620

The following is a schedule of future maturities of long-term debt, including interest of \$2,503,060 on the OWDA loans, \$39,659 on the OPWC loans, and \$189 on the Citizens Bank Loan as of December 31, 2007.

Year	OWDA	OPWC	CITIZENS BANK	TOTAL
2008	\$ 485,850	\$ 83,003	\$1,771	\$ 570,624
2009	529,566	83,003	1,771	614,340
2010	573,282	83,003	904	657,189
2011	573,286	83,003	-	656,289
2012	573,290	83,003	-	656,293
Thereafter	4,637,562	780,959	-	5,418,521
Total	\$7,372,836	\$1,195,974	\$4,446	\$8,573,256

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. CAPITAL ASSETS

A summary of the enterprise funds' assets at December 31, 2007:

	Beginning Balance	Additions	Dispositions	Ending Balance
Asset 2007				
Land	258,508	0	0	258,508
Building	23,617	0	0	23,617
Machinery and Equipment	57,934	0	0	57,934
Office Furniture and Fixtures	20,061	0	0	20,061
Autos and Trucks	24,823	0	(13,967)	10,856
Construction in Progress	342,712	0	0	342,712
Water System-Wells	199,576	0	0	199,576
Water System-Meter/Tap/Hydrants	377,086	0	0	377,086
Water System-Water Lines	6,739,977	0	0	6,739,977
Water System-Stations	920,258	0	0	920,258
Water Systems-Tank/Towers	1,308,052	0	0	1,308,052
Less Accumulated Depreciation	(3,666,105)	(425,453)	13,967	(4,077,591)
Total	6,606,499	(425,453)	0	6,181,046

A summary of the enterprise funds' assets at December 31, 2006:

	Beginning Balance	Additions	Dispositions	Ending Balance
Asset 2006				
Land	258,508	0	0	258,508
Building	23,617	0	0	23,617
Machinery and Equipment	52,122	5,812	0	57,934
Office Furniture and Fixtures	19,044	1,017	0	20,061
Autos and Trucks	24,823	0	0	24,823
Construction in Progress	342,712	0	0	342,712
Water System-Wells	199,576	0	0	199,576
Water System-Meter/Tap/Hydrants	377,086	0	0	377,086
Water System-Water Lines	6,739,977	0	0	6,739,977
Water System-Stations	920,258	0	0	920,258
Water Systems-Tank/Towers	1,308,052	0	0	1,308,052
Less Accumulated Depreciation	(3,306,200)	(359,906)	0	(3,666,106)
Total	6,959,575	(353,077)	0	6,606,498

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides proprietary and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year. The Travelers Indemnity Company provides coverage in excess of \$100,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability, for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

General liability insurance is covered with a \$1,000,000 per occurrence. Automobile liability has a \$1,000,000 limit with a \$250 deductible for comprehensive and collision coverage.

Officials' liability coverage is \$1,000,000 per occurrence and in the aggregate, including a \$500 deductible. Property insurance coverage is subject to a \$250 deductible for buildings, contents, and miscellaneous property. Settled claims have not exceeded insurance coverage in any of the past four years.

7. DEFINED BENEFIT RETIREMENT SYSTEM

District employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by mailing a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. DEFINED BENEFIT RETIREMENT SYSTEM (Continued)

Plan members are required to contribute 9.5 and 9 percent of their annual covered salary to pension obligation. For plan members the District was required to contribute 13.85 and 13.77 percent of covered salary for 2007 and 2006. Contributions are authorized by State statute. The contributions rates are determined actuarially. The District's contributions to PERS for the years ended December 31, 2007, 2006 and 2005 were \$10,526, \$11,373 and \$10,382, respectively. These contributions were equal to the required contributions for the year.

8. POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service and to primary survivor recipients of such retiree's health care coverage for disability recipients is available. The health care coverage provided by the retirement service is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer contribution rate for local government employer units was 13.85% of covered payroll; 4% was the portion that was used to fund health care for 2007.

Benefits are advance-funded using the entry age cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2005 include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional annual pay increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

Currently, OPERS serves more than 728,000 members, and provides more than 156,000 retirees and surviving beneficiaries with monthly benefits. The pension fund increased to \$64.8 billion, and the fund that provides health care services reached \$12.8 billion in 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

9. CONTINGENCY

The District is the plaintiff in a lawsuit with the defendant Pure Water. Pure Water is alleging that the District does not have a legal and binding contract with Pure Water. The potential loss for the District is that the District would have to repay a planning loan to OWDA of \$380,998, which the district incurred in after executing an agreement with Pure Water to extend their water line to Pure Water connections. The contract stated that Pure Water would reimburse the District for cost of the loan through the collection of raised rates from their customers. The District's first payment on this loan is scheduled for July 1, 2009. Pure Water has been ordered to fulfill its obligations under the Contract, however, it is unknown whether Pure Water has access to sufficient funds to satisfy that obligation. Thus the outcome cannot be predicted.

Perry & Associates
Certified Public Accountants, A.C.

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

August 18, 2008

Tri-County Rural Water & Sewer District
Washington County
20 Anderson Lane
Waterford, OH 45786

To the Members of the Board:

We have audited the financial statements of the Tri-County Rural Water & Sewer District (the District), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 18, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the 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 considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 District'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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-002.

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

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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 one instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

We intend this report solely for the information and use District management and the Board of Trustees.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D)(1) 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 (Clerk) 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 taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) 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 Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate – The Township 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 line-item appropriation.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2007-001 (Continued)

Ohio Revised Code § 5705.41(D)(1) (Continued)

The District did not properly certify the availability of funds prior to purchase commitment in 2006 and 2007.

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 of the District's funds exceeding budgetary spending limitations, we recommend that the General Manager certify that the funds are or will be available prior to an obligation being incurred by the District. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2007-002

Significant Deficiency

Segregation of Accounting Duties

A lack of segregation of accounting duties exists within the District. This situation provides for a less than desirable internal control since virtually two people have control of all of the accounting functions.

Recommendation

However, due to the limited size and resources of the District, the current situation is acceptable with continued involvement of the Board of Trustees.

Management's Response - The Board will continue to be involved with the operation of the district.

**TRI COUNTY RURAL WATER AND SEWER DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No longer Valid, <i>Explain</i>
2005-001	Segregation of duties	No	Repeated as 2007-02



Mary Taylor, CPA
Auditor of State

TRI-COUNTY RURAL WATER AND SEWER DISTRICT

WASHINGTON 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
NOVEMBER 25, 2008**