



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA
Auditor of State

Warren Regional Water and Sewer District
Jefferson County
7 Montenery Road
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 an 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 adverse 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.

Mary Taylor

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Auditor of State

September 17, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Warren Regional Water and Sewer District
Jefferson County
7 Montenery Road
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, 2007 and 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity statements and also presenting the District's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Authorities to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Warren Water Authority, Jefferson County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 17, 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 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 17, 2008

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Operating Cash Receipts:		
Charges for Services	\$117,863	\$111,331
Total Operating Cash Receipts	<u>117,863</u>	<u>111,331</u>
Operating Cash Disbursements:		
Personal Services	18,510	13,724
Utilities	46,279	46,381
Repairs and Maintenance	27,898	14,776
Testing and Licenses	983	2,027
Other Contractual Services	17,155	12,532
Chemicals and Operating Supplies	31	
Office Supplies and Materials	2,004	5,196
Insurance	3,136	6,377
Total Operating Cash Disbursements	<u>115,996</u>	<u>101,013</u>
Operating Income/(Loss)	<u>1,867</u>	<u>10,318</u>
Non-Operating Cash Receipts:		
Sale of Notes	10,000	
Miscellaneous	2,561	1,326
Total Non-Operating Cash Receipts	<u>12,561</u>	<u>1,326</u>
Non-Operating Cash Disbursements:		
Debt Service	16,923	15,308
Other Non-Operating Cash Disbursements	2,000	
Total Non-Operating Cash Disbursements	<u>18,923</u>	<u>15,308</u>
Net Receipts Over/(Under) Disbursements	<u>(4,495)</u>	<u>(3,664)</u>
Cash Balances, January 1	<u>108,429</u>	<u>112,093</u>
Cash Balances, December 31	<u><u>\$103,934</u></u>	<u><u>\$108,429</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**

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**

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 District, Jefferson County and Pease District, Belmont County.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District 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. Cash and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values certificates of deposit at cost.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies all funds as 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 good or services will be recovered through user charges. The District has 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 surcharges used to pay related debt.

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

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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. The District did not use the encumbrance method of accounting.

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

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District may invest in certificates of deposit, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$6,159	\$10,866
Certificates of deposit	97,775	97,563
Total deposits	<u>\$103,934</u>	<u>\$108,429</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

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

Budgeted vs. Actual Receipts			
Year	Budgeted Receipts	Actual Receipts	Variance
2007	\$119,750	\$130,424	\$10,674
2006	\$139,700	\$112,657	\$(27,043)

Budgeted vs. Actual Budgetary Basis Expenditures			
Year	Appropriation Authority	Budgetary Expenditures	Variance
2007	\$144,679	\$134,919	\$9,760
2006	\$130,618	\$116,321	\$14,297

4. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$9,932	6%
OWDA Water System Expansion Loan	256,408	2%
Total	<u>\$266,340</u>	

The District secured an Ohio Water Development Authority loan to upgrade storage tanks, the booster station and to place additional waterlines. Future revenues from the District's utility operations collateralize this loan. The general obligation note was issued on April 10, 2007 for \$10,000 and will mature in 2012. The proceeds of the note were used to cover general operating expenses. The note is collateralized by the District's certificates of deposits.

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

Year ending December 31:	<u>General Obligation Note</u>	<u>OWDA Loan</u>
2008	\$2,298	\$15,308
2009	2,298	15,308
2010	2,298	15,308
2011	2,298	15,308
2012	821	15,308
2013-2017		76,540
2018-2022		76,540
2023-2027		76,540
2028		7,654
Total	<u>\$11,573</u>	<u>\$313,814</u>

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

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(Continued)**

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. The Ohio Revised Code prescribes this plan's benefits, which including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the District contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

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.



Mary Taylor, CPA

Auditor of State

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
7 Montenery Road
Rayand, 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, 2007 and 2006, and have issued our report thereon dated September 17, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe that the significant deficiency described above, finding number 2007-002, is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated September 17, 2008.

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 17, 2008.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 17, 2008

WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line item appropriation 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not properly certify the amount against the applicable appropriation accounts for 100% of the tested 2007 and 2006 expenditures. The District did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. 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, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-002

Significant Deficiency/Material Weakness

Proper Classification of Receipts and Disbursements

The District did not correctly code and classify the following receipts and disbursements in 2006 and 2007 which resulted in reclassifications to the financial statements. The District Fiscal Officer has agreed to the reclassifications and the adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have also been posted to the District's accounting records.

Reclassifications - 2007			
Fund Name	Account Type	Amount	Description
Water Operating	Charges for Services Proceeds of Notes	\$9,925	Recorded debt proceeds as charges for services
Sewer Operating	Other Contractual Services Debt Service Disbursements	\$5,487	Contract disbursement posted as debt service payment in error.
Adjustments - 2007			
Water Operating	Proceeds of Notes Debt Service Expenditure	\$75	To record receipt and disbursement for the loan origination fee that was included in the amount financed
Sewer Operating OWDA	Other Contractual Services Debt Service Disbursements	\$2,013	Contract disbursement posted as debt service payment from the OWDA Fund in error

Reclassifications – 2006			
Fund Name	Account Type	Amount	Description
Sewer Operating	Other Contractual Services Debt Service Disbursements	\$7,500	Contract disbursement classified as debt payment in error

Failure to consistently follow a uniform chart of accounts increases the possibility that the District will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Fiscal Officer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a chart of accounts to help ensure that financial activity of the District is accurately recorded and reported. In addition, the District should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

Officials' Response:

We did not receive a response to the findings reported above.

**WARREN REGIONAL WATER AND SEWER DISTRICT
JEFFERSON 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	ORC 5705.38 District failed to pass any appropriations	Yes	



Mary Taylor, CPA
Auditor of State

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 6, 2009