

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY  
Regular Audit  
For the Years Ended December 31, 2010 and 2009**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Noble County Water Authority  
P.O. Box 127  
Belle Valley, Ohio 43717

We have reviewed the *Independent Accountants' Report* of the Noble County Water Authority, Noble County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Noble County Water Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 20, 2011

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**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.  
www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

**INDEPENDENT ACCOUNTANTS' REPORT**

May 24, 2011

Noble County Water Authority  
Noble County  
P.O. Box 127  
Belle Valley, Ohio 43717

To the Board of Trustees:

We have audited the accompanying financial statements of **Noble County Water Authority**, Noble County, Ohio, (the Authority) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Authority 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.

While the Authority 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 Authority 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2010 and 2009 or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Noble County Water Authority, Noble County, as of December 31, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Authority 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 May 24, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Respectfully Submitted,

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

**Perry and Associates**  
Certified Public Accountants, A.C.



**NOBLE COUNTY WATER DISTRICT  
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|  | <b>2010</b>       | <b>2009</b>       |
|--|-------------------|-------------------|
| <b>Operating Cash Receipts:</b>          |                   |                   |
| Charges for services                     | \$ 190,904        | \$ 180,730        |
| Tap fees                                 | 7,036             | 26,610            |
| Total Operating Cash Receipts            | 197,940           | 207,340           |
| <b>Operating Cash Disbursements:</b>     |                   |                   |
| Personal Services                        | 62,366            | 48,102            |
| Contract Services                        | 11,521            | 12,420            |
| Insurance                                | 1,924             | 1,622             |
| Utilities                                | 10,967            | 8,816             |
| Repairs and Maintenance                  | 1,710             | 1,843             |
| Testing and Licenses                     | 3,530             | 5,245             |
| Office Supplies and Materials            | 3,040             | 2,636             |
| Audit Fees                               | -                 | 6,093             |
| Purchased Water                          | 54,293            | 45,873            |
| Total Operating Cash Disbursements       | 149,351           | 132,650           |
| Operating Income                         | 48,589            | 74,690            |
| <b>Non-Operating Cash Receipts:</b>      |                   |                   |
| Intergovernmental Revenue                | 90,877            | 674,948           |
| Security Deposits                        | 2,100             | 675               |
| Interest                                 | 2,894             | 4,293             |
| Other Non-Operating Revenues             | 1,532             | 1,930             |
| Total Non-Operating Cash Receipts        | 97,403            | 681,846           |
| <b>Non-Operating Cash Disbursements:</b> |                   |                   |
| Refund of Security Deposits              | 450               | 319               |
| Debt Service                             |                   |                   |
| Principal                                | 25,860            | 12,770            |
| Interest                                 | 35,697            | 34,335            |
| Capital Outlay                           | 83,157            | 685,526           |
| Other Non-Operating Cash Disbursements   | 1,845             | 2,763             |
| Total Non-Operating Cash Disbursements   | 147,009           | 735,713           |
| Net Receipts Over/(Under) Disbursements  | (1,017)           | 20,823            |
| Cash Balance, January 1                  | 276,797           | 255,974           |
| <b>Cash Balance, December 31</b>         | <b>\$ 275,780</b> | <b>\$ 276,797</b> |

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

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Noble County Water Authority, Noble County, Ohio, (the Authority) as a body corporate and politic. The Water Authority was established as a separate political subdivision of the State of Ohio under the provisions of Chapter 6119 of the Ohio Revised Code. The Water Authority is directed by an appointed five-member Board of Trustees. Board members are appointed by the Board of Trustees and the Noble County Commissioners. Subdivisions within the Water Authority include all or parts of Jackson, Marion, Olive, Sharon, Elk, Center, Beaver, Wayne, Jefferson, Stock and Noble Townships in Noble County. The Water Authority provides water services to residents of the Water Authority service area.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority 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 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 Authority values certificates of deposit at cost.

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

The Ohio Revised Code requires the Board to budget annually.

**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. Appropriations lapse at year end.

**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 Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The accompanying financial statements do not report these items as assets.

**2. Equity in Pooled Deposits**

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

|                         | <u>2010</u>       | <u>2009</u>       |
|-------------------------|-------------------|-------------------|
| Demand Deposits         | \$ 2,270          | \$ 1,846          |
| Savings Deposits        | 121,108           | 124,684           |
| Certificates of Deposit | <u>152,402</u>    | <u>150,267</u>    |
| Total Deposits          | <u>\$ 275,780</u> | <u>\$ 276,797</u> |

**Deposits**

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

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

| Budgeted vs. Actual Receipts                     |             |              |
|--|-------------|--------------|
|  | 2010        | 2009         |
| Budgeted Receipts                                | \$ 223,110  | \$ 435,650   |
| Actual Receipts                                  | 295,343     | 889,186      |
| Variance   | \$ 72,233   | \$ 453,536   |
| Budgeted vs. Actual Budgetary Basis Expenditures |             |              |
|  | 2010        | 2009         |
| Appropriation Authority                          | \$ 223,110  | \$ 435,650   |
| Budgetary Expenditures                           | 296,360     | 868,363      |
| Variance   | \$ (73,250) | \$ (432,713) |

**4. Debt**

The outstanding balance of the OWDA loans was misstated as of December 31, 2008. The balance should have been disclosed as \$14,630.

Debt outstanding at December 31, 2010 was as follows:

|                        | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------|------------------|----------------------|
| Mortgage Revenue Bonds | \$ 739,000       | 4.50%                |

The Water Authority issued \$814,000 of Water Resource Project Revenue Bonds on September 2001 to finance the construction of its water facilities and lines. The bonds are collateralized by the future revenues of the Water Authority.

The Water Authority received a loan for \$15,000 in 2007 from the Ohio Water Development Authority for the planning phase of the water line extension project. The loan was paid off in July 2010.

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Debt (Continued)**

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

| Year Ending<br><u>December 31</u> | Mortgage<br><u>Revenue Bond</u> |
|-----------------------------------|---------------------------------|
| 2011                              | \$ 45,255                       |
| 2012                              | 45,715                          |
| 2013                              | 45,130                          |
| 2014                              | 45,545                          |
| 2015                              | 44,915                          |
| 2016-2020                         | 225,360                         |
| 2021-2025                         | 220,920                         |
| 2026-2030                         | 221,250                         |
| 2031-2035                         | 220,865                         |
| 2036-2040                         | 220,145                         |
| 2041                              | 43,890                          |
| Totals                            | <u>\$ 1,378,990</u>             |

**5. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10.00% of their gross salaries and the Authority contributed an amount equaling 14.00% of participant's gross salaries. The Authority has paid all contributions required through December 31, 2010.

**6. Risk Management**

The Authority has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Property

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Contingent Liabilities**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

***Perry & Associates***  
Certified Public Accountants, A.C.  
www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

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

May 24, 2011

Noble County Water Authority  
Noble County  
P.O. Box 127  
Belle Valley, Ohio 43717

To the Board of Trustees:

We have audited the financial statements of **Noble County Water Authority**, Noble County, Ohio (the Authority) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 24, 2011, wherein we noted the Authority 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 Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

### **Internal Control Over Financial Reporting (Continued)**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of audit findings to be a material weakness.

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 or 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 Authority'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated May 24, 2011.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Material Weakness**

**On-Behalf of Grants and Intergovernmental Revenue**

Per Auditor of State Bulletin 2000-008 issued May 2, 2000, “many local governments are the beneficiaries of programs commonly carried out or administered by other local governments or the State. Many of these grant programs or capital improvement projects (hereafter referred to as “program”) are administered such that the benefitting governments do not receive cash or make disbursements as part of the program (for example, certain Issue II or CDBG programs). This bulletin describes the proper accounting treatment for these “on-behalf-of” programs.

**Cash Accounting**

When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. This accounting treatment should only be applied when a local government or its residents are the recipients of benefits as evidenced by an agreement or an approved program application (This might include a consortium application where a group of local governments enter into an agreement as a consortium and the consortium is not a legally separate entity.”

The Authority did not record the CDBG grant to the County Commissioners, the CDBG formula grant or the funds paid by the County Commissioners as either intergovernmental revenue or capital outlay on the financial statements for 2009 or 2010.

The CDBG grant is an on-behalf-of grant included in an agreement between the County Commissioners and the Authority. The Authority is obligated to match the amount of the CDBG Grant to the Commissioners. The agreement also indicates the County Commissioners are responsible for meeting all requirements of the grant. Due to the agreement, all funds from the County Commissioners, including the CDBG grant to the Commissioners, the CDBG Formula Grant to the Authority and the funds spent directly by the Commissioners (part of the Authority's required match) should be considered revenues and expenses of the Authority as an on-behalf-of grant or, in the case of the CDBG Formula grant, direct intergovernmental revenue.

By not recording this activity, the financial statements of the Water Authority were materially misstated. Audit adjustments have been made to include this activity on the financial statements of the Authority. The Authority was not aware that these revenues were required to be included in the financial statements.

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

|   |
|---|
| <p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS<br/>(Continued)</b></p> |
|---|

**On-Behalf of Grants and Intergovernmental Revenue (Continued)**

We recommend the Authority discuss the reporting requirements with granting agencies, the County Commissioners, and/or Auditor of State Local Government Services as new projects and agreements are entered into.

**Management's Response** – We have obtained the Auditor of State's bulletin related to on-behalf-of grants explaining the correct reporting of this type of grant. We will follow these directions in future improvement projects.

**NOBLE COUNTY WATER AUTHORITY  
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;<br><i>Explain</i> |
|----------------|---|------------------|--|
| 2008-001       | <b>Ohio Rev. Code §5705.41(B)</b> – Expenditures exceeded appropriations. | No               | Partially corrected, moved to management letter.   |

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# Dave Yost • Auditor of State

**NOBLE COUNTY WATER AUTHORITY**

**NOBLE 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  
JUNE 30, 2011**