

**TUPPERS PLAINS - CHESTER WATER DISTRICT
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Tuppers Plains-Chester Water District
39561 Bar 30 Road
Reedsville, Ohio 43776

We have reviewed the *Independent Accountants' Report* of the Tuppers Plains-Chester Water District, Meigs 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 Tuppers Plains-Chester Water District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

August 29, 2011

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**TUPPERS PLAINS - CHESTER WATER DISTRICT
MEIGS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 30, 2011

Tuppers Plains – Chester Water District
Meigs County
39561 Bar 30 Road
Reedsville, OH 43776

To the Board of Trustees:

We have audited the accompanying financial statements of **Tuppers Plains – Chester Water District**, Meigs County, Ohio (the District), as of and for the years ended December 31, 2010 and 2009. 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 wide statement. 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 Districts 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, 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 District as of December 31, 2010 and 2009, or its changes in financial position or cash flows for the years then ended.

Tuppers Plains – Chester Water District
Meigs County
Independent Accountants' Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Tuppers Plains – Chester Water District, Meigs County, Ohio, as of December 31, 2010 and 2009, 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 June 30, 2011, 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.

Respectfully submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

	2010	2009
Operating Cash Receipts:		
Water Sales	\$ 1,973,439	\$ 1,838,193
Customer Sales	81,247	110,221
Miscellaneous	78,629	28,287
Total Operating Cash Receipts	2,133,315	1,976,701
Operating Cash Disbursements:		
General Expenses	842,273	781,437
Mobile Equipment	74,483	65,030
Treatment Plant	268,021	209,425
Distribution System	205,869	177,443
Office Expense	19,216	29,695
Insurance	18,430	21,366
Professional Expense	7,916	9,970
Capital Outlay	858,651	622,416
Total Operating Cash Disbursements	2,294,859	1,916,782
Operating Income/(Loss)	(161,544)	59,919
Non-Operating Cash Receipts And Cash Disbursements		
Interest Income	96,690	101,859
Intergovernmental	512,450	-
Loan Proceeds	66,003	390,090
Principal Debt Payments	(100,860)	(85,803)
Interest Expense	(193,857)	(199,422)
Total Non-Operating Receipts And Cash Disbursements	380,426	206,724
Net Cash Receipts Over/(Under) Cash Disbursements	218,882	266,643
Fund Cash Balances, January 1	2,525,108	2,258,465
Fund Cash Balances, December 31	\$ 2,743,990	\$ 2,525,108

See the accompanying notes to the basic financial statements

Tuppers Plains – Chester Water District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Tuppers Plains-Chester Water District, Meigs County (the District) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees whose membership is composed of trustees elected every three years by water service customers whose accounts are in good standing. The membership elects a president, vice president, and a secretary-treasurer, who are responsible for fiscal control of the resources of the District. The District was established to provide water services to the residents of the District.

The District's management believes the 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 prescribed or permitted by the Auditor of State.

C. Deposits 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.

D. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

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

Tuppers Plains – Chester Water District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

The District may invest in certificates of deposits 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 deposits and investments at December 31 was as follows:

	2010	2009
Demand deposits	\$ 186,548	\$ 33,429
Certificates of Deposit	2,557,442	2,491,679
Total deposits	\$ 2,743,990	\$ 2,525,108

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

3. BUDGETARY ACTIVITY

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

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 2,132,917	\$ 2,808,458	\$ 675,541
2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 2,597,498	\$ 2,589,576	\$ 7,922
2009 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 2,078,559	\$ 2,468,650	\$ 390,091
2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 2,238,797	\$ 2,202,007	\$ 36,790

Tuppers Plains – Chester Water District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

Loan	Principal	Interest Rate
USDA Loan #91-06	\$ 245,000	5.88%
USDA Loan #91-11	1,525,400	4.75%
USDA Loans #91-12 and #91-14	2,140,100	4.13%
Ohio Water Development Authority Loan 4363	272,814	4.00%
Ohio Water Development Authority Loan 5390	59,163	0.00%
Ohio Public Works Loan CR003	178,306	0.04%
Ohio Public Works Loan CR18L	194,783	0.00%
Ohio Public Works Loan CR13K	182,303	0.00%
Total	<u>\$ 4,797,869</u>	

The District issued water revenue bonds to finance various capital assets constructed to provide water service, including waterline extensions. Future revenues from the District's water operations collateralize these bonds.

The District has not received an amortization schedule for OWDA Loan 5390, due to all proceeds not being disbursed.

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

Year	Principal	Interest
2011	\$ 89,942	\$ 184,098
2012	93,736	180,956
2013	96,335	177,641
2014	100,140	174,216
2015	104,151	170,613
2016-2020	579,921	792,864
2021-2025	696,999	674,806
2026-2030	706,031	536,141
2031-2035	798,044	395,902
2036-2040	858,808	224,286
2041-2045	494,000	87,326
2046	120,599	4,685
Total	<u>\$ 4,738,706</u>	<u>\$ 3,603,534</u>

Tuppers Plains – Chester Water District
Meigs County
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(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 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% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2010.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

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

June 30, 2011

Tuppers Plains – Chester Water District
Meigs County
39561 Bar 30 Road
Reedsville, Ohio 43776

To the Board of Trustees:

We have audited the financial statements of **Tuppers Plains – Chester Water District**, Meigs County, Ohio, (the District) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 30, 2011, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider material weaknesses as defined above.

Tuppers Plains – Chester Water District
Meigs County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note a matter that we reported to the District's management in a separate letter dated June 30, 2011.

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

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

**TUPPERS PLAINS – CHESTER WATER DISTRICT
MEIGS 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; <i>Explain</i>
2008-001	Cash Reconciliations	Yes	Corrected



Dave Yost • Auditor of State

TUPPERS PLAINS CHESTER WATER DISTRICT

MEIGS 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
SEPTEMBER 8, 2011**