

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT 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  
York Township Water Authority  
54775 Mt. Victory Road  
Powhatan Point, Ohio 43942

We have reviewed the *Independent Accountants' Report* of the York Township Water Authority, Belmont 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 York Township Water Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 18, 2011

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**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

August 15, 2011

York Township Water Authority  
54775 Mt. Victory Road  
Powhatan Point, Ohio 43942

To the Board of Trustees:

We have audited the accompanying financial statements of **York Township Water Authority**, Belmont County, (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 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 cash balances of York Township Water Authority, Belmont 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 August 15, 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.

Respectively Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

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



**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

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

	<b>2010</b>	<b>2009</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 96,879	\$ 96,576
 Total Operating Cash Receipts	96,879	96,576
<b>Operating Cash Disbursements:</b>		
Salaries	21,490	19,135
Transmission and Distribution	8,424	8,678
Treatment	664	324
Water Purchases	46,036	42,997
Administrative and General	11,912	14,279
Capital Outlay	80,895	9,918
 Total Operating Cash Disbursements	169,421	95,331
 Operating Income/(Loss)	(72,542)	1,245
<b>Non-Operating Cash Receipts:</b>		
Interest Income	852	815
Note Proceeds	60,000	-
 Total Non-Operating Cash Receipts	60,852	815
<b>Non-Operating Cash Disbursements:</b>		
Debt Service:		
Principal	4,332	-
Interest	1,347	-
 Total Non-Operating Cash Disbursements	5,679	-
 Net Receipts Over/(Under) Disbursements	(17,369)	2,060
 Cash Balances, January 1	103,299	101,239
 <b>Cash Balances, December 31</b>	<b>\$ 85,930</b>	<b>\$ 103,299</b>

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

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT 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 York Township Water Authority, Belmont County, (the Authority) as a body corporate and politic. The Authority is directed by a five member Board of Trustees appointed by the Belmont County Common Pleas Court Judge. The Authority provides water utility services to residents of York Township, Belmont County.

The Authority's management believes these financial statements present all activities for which the Authority 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 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**

The Authority'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 Authority had a non-interest bearing checking account, a savings account and a certificate of deposit during the audit period.

**D. 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. 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.

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. 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 reappropriated. The Authority did not use the encumbrance method of accounting.

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

**E. Property, Plant, and Equipment**

The Authority 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**

The Authority may invest in certificates of deposits.

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

	2010	2009
Demand deposits	\$ 17,244	\$ 17,465
Certificates of deposit	5,497	5,447
Other time deposits (savings and NOW accounts)	63,189	80,387
Total deposits	\$ 85,930	\$ 103,299

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**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
\$ 103,100	\$ 157,731	\$ 54,631

2010 Budgeted vs. Actual Expenditures		
Appropriation Authority	Actual Expenditures	Variance
\$ 101,863	\$ 175,100	\$ (73,237)

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 102,400	\$ 97,391	\$ (5,009)

2009 Budgeted vs. Actual Expenditures		
Appropriation Authority	Actual Expenditures	Variance
\$ 91,786	\$ 95,331	\$ (3,545)

**4. DEBT**

Debt outstanding at December 31, 2010, was as follows:

	Principal	Interest Rate
Bank Loan	\$ 55,668	5%
Total	\$ 55,668	

The Authority entered into a loan agreement with the First National Bank of Powhatan Point to finance a waterline replacement project. The loan was entered into on June 30, 2010 for \$60,000. Repayment is to be made over a 60 month period.

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

2011	\$ 13,631
2012	13,632
2013	13,632
2014	13,631
2015	7,952
Total	\$ 62,478

**5. RETIREMENT SYSTEMS**

The Authority's appointed officials and contract 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 Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2010.

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

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

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.

The Authority is uninsured for the following risks:

- Errors and omissions.

**7. COMMITMENTS AND CONCENTRATIONS**

The Authority entered into a Water Purchase Contract with the Village of Powhatan Point, Ohio. The contract provided the Village will deliver water to the Authority. The term of the contract was twenty years, from January 1, 2000 to January 1, 2020. The rates to be paid for the delivered water were as follows:

January 1, 2007 to December 31, 2009	\$3.35 per 1,000 gallons delivered
January 1, 2010 to December 31, 2014	\$3.90 per 1,000 gallons delivered
January 1, 2015 to December 31, 2019	\$4.50 per 1,000 gallons delivered

For the years ended December 31, 2010 and 2009, the Authority purchased 100% of its water from the Village of Powhatan Point at the rates of \$3.35 and \$3.90 per 1,000 gallons delivered, respectively.

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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 15, 2011

York Township Water Authority  
54775 Mt. Victory Road  
Powhatan Point, Ohio 43942

To the Board of Trustees:

We have audited the financial statements of the **York Township Water Authority**, Belmont County, (the Authority) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 15, 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 findings 2010-001 and 2010-002 described in the accompanying schedule of audit findings to be material weaknesses.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated August 15, 2011.

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

Respectfully Submitted,



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

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Noncompliance / Material Weakness**

**Ohio Rev. Code Section 5705.41(D)(1)** prohibits a subdivision or taxing authority 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 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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:

Then and Now Certificate – If the fiscal officer can certify that both at the time 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 encumbrance, the Authority can authorize the drawing of a warrant for the payment of the amount due. The Authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Authority 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 Authority.

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.

Super Blanket Certificate – The Authority 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.

None of the obligations paid by the Authority contained a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund 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 Authority's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Authority. When prior certification is not possible, "then and now" certificates should be used.



**YORK TOWNSHIP WATER AUTHORITY  
BELMONT 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 (Continued)**

We recommend the Authority certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Authority incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation. In addition, the Authority Board of Trustees should annually adopt a resolution to indicate an amount that blanket certificates cannot exceed.

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

**FINDING NUMBER 2010-002**

**Material Weakness**

**Posting of Receipts and Disbursements**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2010 and 2009, Authority's receipts and disbursements were not always posted to their financial statements.

For example, in 2010, the Authority borrowed \$60,000 to finance a waterline replacement project; however, the amount borrowed was not posted as proceeds of loan or as a capital outlay disbursement. Also, the 2010 debt principal redemption amount was not posted to the Authority's financial statement.

In 2009, the Authority did not post pump house construction costs as a capital outlay disbursement. This caused material adjustments to the accompanying financial statements. The accompanying financial statements reflect all adjustments.

We recommend the Authority utilize available authoritative resources to appropriately post receipt and disbursement transactions.

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

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT 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	Ohio Rev. Code Sections 121.22 and 149.43	No	Partially Corrected, Management Letter Noncompliance
2008-002	Bank Reconciliations	No	Partially Corrected, Management Letter Noncompliance
2008-003	Posting Expenditures	No	Cited again as Finding Number 2010-002



# Dave Yost • Auditor of State

**YORK TOWNSHIP WATER AUTHORITY**

**BELMONT 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 10, 2011**