



Dave Yost • Auditor of State

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of the Noble County Water Authority, Noble County, Ohio (the Authority) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the Authority prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Noble County Water Authority, Noble County, as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 8, 2015

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Operating Cash Receipts:		
Charges for Services	\$238,953	\$227,791
Tap Fees	9,660	18,147
Noble County Commissioners	15,000	0
Total Operating Cash Receipts	263,613	245,938
Operating Cash Disbursements:		
Personal Services	68,603	57,293
Utilities	8,078	7,962
Water Purchase	76,681	76,906
Testing and Licenses	5,318	5,360
Other Contractual Services	22,640	19,562
Chemicals and Operating Supplies	3,530	568
Office Supplies and Materials	6,260	4,300
Insurance	2,443	2,391
Office Rent	5,400	4,800
Construction	19,556	0
Total Operating Cash Disbursements	218,509	179,142
Operating Income	45,104	66,796
Non-Operating Cash Receipts:		
Interest	972	959
Noble County CIC	18,023	0
Security Deposits	975	1,275
Other Non-Operating Revenues	9,744	1,881
Total Non-Operating Cash Receipts	29,714	4,115
Non-Operating Cash Disbursements:		
Debt Service	45,545	45,130
Other Non-Operating Cash Disbursements	10,046	8,417
Total Non-Operating Cash Disbursements	55,591	53,547
Net Receipts Over Disbursements	19,227	17,364
Cash Balances, January 1	307,167	289,803
Cash Balances, December 31	\$326,394	\$307,167

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

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**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013**

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, (the Authority) as a body corporate and politic. The Authority was established as separate political subdivision of the State of Ohio under the provisions of Chapter 6119 of the Ohio Revised Code. Board members are appointed by the Board of Trustees and the Noble County Commissioners. There are five Board members. Noble County Townships within the Authority are, Jackson, Marion, Olive, Sharon, Elk, Center, Beaver, Wayne, Jefferson, Stock and Noble. The Authority provides water services to residents of the Authority.

The Authority's management believes this financial statement presents all activities for which the Authority is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Authority invests its monies in interest-bearing checking and savings accounts.

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). 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.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 re-appropriated.

A summary of 2014 and 2013 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 statement does not report these items as assets.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$204,118	\$211,582
Other time deposits (savings accounts)	122,276	95,585
Total deposits	326,394	307,167

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$253,000	\$293,327	\$40,327

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$253,085	\$274,100	(\$21,015)

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$223,020	\$250,053	\$27,033

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$250,955	\$232,689	\$18,266

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation Authority by \$21,015 for the year ended December 31, 2014.

4. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Water System Revenue Bonds	\$687,000	4.5%

The Authority issued water system revenue bonds to finance the construction of its water facilities and lines. The bonds were issued on September 28, 2001 for \$814,000 and have maturities through September 1, 2041. Future revenues from the Authority's water operations collateralize these bonds. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Water Revenue Bonds
2015	\$44,915
2016	45,285
2017	45,610
2018	44,890
2019	45,170
2020-2024	221,060
2025-2029	221,425
2030-2034	220,255
2035-2039	221,155
2040-2041	87,580
Total	\$1,197,345

5. RETIREMENT SYSTEM

The Authority'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 2014 and 2013, 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, 2014.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- General Liability;
- Auto;
- Crime and Fidelity;
- Property;
- Terrorism; and
- Official's and Employee's Dishonesty Bonds.



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Noble County Water Authority, Noble County, Ohio (the Authority) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement, and have issued our report thereon dated September 8, 2015 wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider Finding 2014-003 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statement is 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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

September 8, 2015

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 117.38 states entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Authority did not file its annual report for calendar year 2014.

The Authority should file the annual financial report with the Auditor of State (AOS) within 60 days after fiscal year end.

FINDING NUMBER 2014-002

Noncompliance Citation

Ohio Rev. Code § 5705.28(B)(2) requires entities that do not levy taxes to follow Ohio Rev. Code Rev. Code § 5705.41(B). Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated as provided in such chapter.

Expenditures exceeded appropriations by \$21,015 at December 31, 2014. This could cause the Authority to spend more than is available to spend.

The Clerk/Treasurer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending.

FINDING NUMBER 2014-003

Significant Deficiency

The Clerk/Treasurer used QuickBooks software for their accounting system. In addition, the Authority used an Excel spreadsheet for their budgetary system to compare the actual amounts to the budgeted amounts for both receipts and expenditures.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-003 (Continued)

Significant Deficiency (Continued)

It was noted the final financial report for 2013 and 2014 did not agree back to the QuickBooks ledgers for several accounts. Total revenues per the financial report were understated for 2013 and 2014 by \$1,806 and \$28,890, respectively and total expenditures per the financial report were understated for 2013 and 2014 by \$13,731 and \$42,890, respectively. The amount per the QuickBooks ledgers were the actual amounts used to reconcile to the Authority's bank accounts and therefore, those amounts were used to agree to the financial statements.

The Clerk/Treasurer should include all receipt and disbursements recorded throughout the year to the Quickbooks ledgers on the financial report manually prepared in an excel spreadsheet. For the report to be an efficient management tool, it should agree directly to the Quickbooks ledgers which were used to reconcile to the Authority's bank accounts.

Officials' Response: Management declined to respond to any of the aforementioned findings.



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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
SEPTEMBER 29, 2015**