



OHIO AUDITOR OF STATE
KEITH FABER



**YORK TOWNSHIP WATER AUTHORITY
BELMONT COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Changes in Balances (Cash Basis) - For the Years Ended December 31, 2016 and 2015	3
Notes to the Financial Statement	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	13

This page intentionally left blank

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

York Township Water Authority
Belmont County
P.O. Box 133
Powhatan Point, Ohio 43942

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the York Township Water Authority, Belmont County, Ohio (the Authority), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 such 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2016 and 2015, and the respective changes in financial position or cash flows 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 balances, receipts and disbursements, and related notes of the York Township Water Authority, Belmont County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 November 1, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 1, 2019

**YORK TOWNSHIP WATER AUTHORITY
BELMONT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Operating Cash Receipts:		
Charges for Services	\$ 115,685	\$ 117,875
<i>Total Operating Cash Receipts</i>	115,685	117,875
Operating Cash Disbursements:		
Personal Services	21,386	16,332
Water	65,203	64,756
Repairs and Maintenance	11,930	12,072
Testing and Licenses	798	997
Utilities	885	536
Administrative/General	3,085	3,402
Insurance	1,937	2,144
Other Contractual Services	15,320	5,018
<i>Total Operating Cash Disbursements</i>	120,544	105,257
<i>Operating Income/(Loss)</i>	(4,859)	12,618
Non-Operating Cash Receipts:		
Other Financing Sources	0	100
Interest	156	155
<i>Total Non-Operating Cash Receipts</i>	156	255
Non-Operating Cash Disbursements:		
Debt Service		
Principal	0	6,307
<i>Total Non-Operating Cash Disbursements</i>	0	6,307
<i>Net Receipts Over/(Under) Disbursements</i>	(4,703)	6,566
Cash Balances, January 1	83,940	77,374
<i>Cash Balances, December 31</i>	\$ 79,237	\$ 83,940

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

This page intentionally left blank.

**YORK TOWNSHIP WATER AUTHORITY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016 AND 2015**

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, Ohio (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 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

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). 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 STATEMENT
DECEMBER 31, 2016 AND 2015
(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. The Authority did not use the encumbrance method of accounting.

A summary of 2016 and 2015 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. DEPOSITS AND INVESTMENTS

The Authority may invest in certificates of deposits. The carrying amount of deposits and investments at December 31 was as follows:

	2016	2015
Demand deposits	\$18,103	\$22,962
Certificates of deposit	5,614	5,597
Other time deposits (savings and NOW accounts)	55,520	55,381
Total deposits	\$79,237	\$83,940

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and 2015, follows:

2016 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$115,841	\$115,841

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$120,544	(\$120,544)

2015 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$118,130	\$118,130

**YORK TOWNSHIP WATER AUTHORITY
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2016 AND 2015
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$111,564	(\$111,564)

Contrary to Ohio law, the Authority did not adopt a budget, appropriations or estimated resources.

4. 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 2016 and 2015, 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, 2016.

5. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for comprehensive property and general liability. The Authority is uninsured for the risk of errors and omissions.

6. CONTINGENT LIABILITY

The Auditor of State conducted an investigation into certain matters that included a portion of the audit period covered by this report. While the investigation has concluded, the results will be released in a separate report at a later date.

7. SUBSEQUENT EVENTS

1. On November 20, 2017, the Board approved to increase water rates from \$45.00 to \$52.60, an increase of 17%, effective December 1, 2017.
2. On October 30, 2017, the Board approved the Captina Creek Water Line Project to Precise Boring in the amount of \$138,487.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

York Township Water Authority
Belmont County
P.O. Box 133
Powhatan Point, Ohio 43942

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 cash balances, receipts and disbursements of the York Township Water Authority, Belmont County, Ohio (the Authority), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statement, and have issued our report thereon dated November 1, 2019, wherein we noted the Authority followed financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinions 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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider findings 2016-002 and 2016-003 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, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2016-001.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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.



Keith Faber
Auditor of State
Columbus, Ohio

November 1, 2019

YORK TOWNSHIP WATER AUTHORITY
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

According to Ohio Rev. Code § 5705.28(B)(2)(b), although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a water district is still required to follow Ohio Rev. Code §§ 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the Authority to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

The Authority did not comply with the aforementioned budgetary laws for the periods ended December 31, 2016 and 2015. The Authority did not appropriate expenditures; therefore, the Authority was unable to monitor operations via the control that budgeting provides.

The Authority's accounting system did not allow for integration of budget information or encumbrances.

Budgeted amounts of receipts and disbursements integrated into the Authority's accounting system would allow for meaningful comparisons between the budgeted and actual figures.

The Authority should comply with applicable budgetary laws as noted in the Ohio Revised Code.

Officials Response: Accountant Pat Felton is working on correcting this problem.

FINDING NUMBER 2016-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

For 2015 and through March 2016, the small size of the Authority's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. It is therefore important that the Authority Board function as a finance committee to monitor financial activity closely. There was no documentation of the extent to which the Board reviewed bank reconciliations, financial reports and records to monitor financial activity of the Authority.

This could result in the ledgers of the Authority not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Authority's annual report without the timely knowledge of the Board.

YORK TOWNSHIP WATER AUTHORITY
BELMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

Material Weakness (Continued)

Financial information should be presented to the Board on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the Authority's cash book to gain assurances that the records are posted up to date, in agreement with the presented reports and reflect authorized transactions. These reviews should be documented in the minutes of the Board meetings.

Officials' Response: Accountant Pat Felton is working on correcting this problem.

FINDING NUMBER 2016-003

Material Weakness

During our review of the Authority's non-payroll related disbursements, we noted the following in 2015:

- 18% of disbursements tested, the voucher package did not include an invoice to support the payment being made.
- 27% of disbursements tested, checks did not clear the bank in a timely manner, indicating the checks were held before being mailed. There was about a 2 month time period between the dates of the check to the date the check cleared the bank.

By not having appropriate support for disbursements could result in expenditures being made that are not for a proper public purpose. The Authority did not have controls in place to detect expenditures without proper support, such as authorization by another individual independent of writing the check.

The Authority should consider implementing the following procedures to strengthen internal controls over the proper disbursement of public funds:

- Voucher packages should contain evidence to support the expenditure, such as an invoice along with approval by someone other than the individual writing the check.
- Checks be prepared and issued in a timely manner.

Officials' Response: Accountant Pat Felton is working on correcting this problem.

York Township Water Authority
P.O. Box 133
Powhatan Point, Ohio 43942
Phone: 740-312-2891

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Noncompliance – Ohio Rev. Code § 5705.28(B)(2)(a) for not complying with applicable budgetary laws as noted in the Ohio Revised Code.	Not corrected.	Accountant is correcting.
2014-002	Material Weakness – for not having adequate segregation of duties and presenting financial information to the Board.	Partially Corrected.	Accountant is correcting.
2014-003	Material Weakness – for not recording receipts and disbursements into accurate classifications or not recording all such transactions.	Corrected.	

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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 12, 2019