



**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NOBLE COUNTY WATER AUTHORITY
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances For the Year Ended December 31, 1999	3
Notes to the Financial Statement	5
Schedule of Federal Awards Expenditures	7
Notes to the Schedule of Federal Awards Expenditures	8
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	11
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	13

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REPORT OF INDEPENDENT ACCOUNTANTS

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 statement of the Noble County Water Authority, Noble County, Ohio, (the Water Authority) as of and for the year ended December 31, 1999. This financial statement is the responsibility of the Water Authority's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Water Authority prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 1999, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2000, on our consideration of the Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statement of the Water Authority, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole

This report is intended solely for the information and use of the management, the Board of Trustees, the federal awarding agency and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

September 25, 2000

**NOBLE COUNTY WATER AUTHORITY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Operating Cash Receipts:	
Tap Fees	\$15,875
Total Operating Cash Receipts	15,875
Operating Cash Disbursements:	
Utilities	1,387
Office Supplies and Materials	595
Miscellaneous	22
Total Operating Cash Disbursements	2,004
Operating Income/(Loss)	13,871
Non-Operating Cash Receipts:	
Intergovernmental Revenues	914,519
Proceeds from Loan	564,856
Security Deposits	250
Interest	5,399
Total Non-Operating Cash Receipts	1,485,024
Non-Operating Cash Disbursements:	
Construction	1,251,877
Repayment of Loan	100,811
Refund of Tap Fees	500
Engineering Fees	65,724
Administration Fees	10,000
Legal Fees	4,500
Total Non-Operating Cash Disbursements	1,433,412
Net Receipts Over/(Under) Disbursements	65,483
Cash Balances, January 1	109,563
Cash Balances, December 31	\$175,046

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

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**NOBLE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Noble County Water Authority, Noble County, (the Water Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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. The Water Authority includes all or parts of Jackson, Marion, Olive, Sharon, Elk, Center, Beaver, Wayne, Jefferson, Stock, and Noble Townships in Noble County. The Water Authority commenced water services to residents of the Water Authority's service area in January, 2000.

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

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Budgetary Process

The Water Authority's Board of Trustees currently do not adopt an operating budget. Recently enacted House Bill 262 has clarified that the Water Authority must adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. CASH

The carrying amount of cash at December 31 was \$175,046 in demand deposits.

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

At December 31, 1999, \$84,966 of deposits were not insured or collateralized, contrary to Chapter 6119, Ohio Revised Code.

**NOBLE COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999
(Continued)**

3. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority RECDS Loan	<u>\$564,856</u>	3.84%

The Ohio Water Development Authority (OWDA) loan is an interim financing loan to pay for the construction of water facilities and initial operating costs of the Water Authority. The principal balance above represents loan proceeds drawn-down from OWDA as of December 31, 1999. The OWDA has approved up to \$814,000 in loans to the Water Authority for this project. The Water Authority has been approved by the United States Department of Agriculture (USDA) for a loan through the Water and Waste Disposal Systems for Rural Communities program up to \$814,000. The USDA loan has been pledged for the repayment of the Water Authority's obligation to OWDA when construction of the project has been completed.

4. RISK MANAGEMENT

During 1999, the Water Authority had not begun operations and was in the construction phase. Insurance for property and damages were maintained by individual contractors as required by their construction contracts.

Public employees dishonesty bonds were obtained for officials through a private carrier.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, management believes such refunds, if any, would not occur.

**NOBLE COUNTY WATER AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct Program:</i>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>\$590,134</u>
Total U.S. Department of Agriculture			<u>590,134</u>
Total Federal Awards Expenditures			<u><u>\$590,134</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOBLE COUNTY WATER AUTHORITY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Water Authority's federal award program. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

The federal program requires that the Water Authority contribute non-federal (matching funds) to support the federally-funded program. The Water Authority has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 the accompanying financial statement of the Noble County Water Authority, Noble County, Ohio, (the Water Authority) as of and for the year ended December 31, 1999, and have issued our report thereon dated September 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Water Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-61061-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Water Authority in a separate letter dated September 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Water Authority in a separate letter dated September 25, 2000.

Noble County Water Authority
Noble County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 25, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Noble County Water Authority, Noble County, Ohio, (the Water Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Water Authority's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Water Authority's management. Our responsibility is to express an opinion on the Water Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Water Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Water Authority's compliance with those requirements.

In our opinion, the Water Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Water Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Water Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Noble County Water Authority
Noble County
Report of Independent Accountants on Compliance With Requirements
Applicable to the Major Federal Program and Internal Control Over
Compliance In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 25, 2000

**NOBLE COUNTY WATER AUTHORITY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal program?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal program?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities - CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

NOBLE COUNTY WATER AUTHORITY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)

**2. FINDING RELATED TO THE FINANCIAL STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	1999-61061-001
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Ohio Rev. Code § 6119.151 requires the Water Authority to follow the guidelines of Ohio Rev. Code § 135.12 in its selection of depositories for public funds and Ohio Rev. Code § 135.18 in securing collateral for funds on deposit.

The Water Authority did not designate a depository or obtain pledges of collateral for Water Authority moneys on deposit in excess of those insured by the Federal Deposit Insurance Corporation.

This could result in the loss of the Water Authority's funds should the depository fail.

We recommend the Water Authority designate a public depository for the deposit of its funds in accordance with Ohio Rev. Code § 135.12 and obtain additional collateral to cover the funds not insured by the Federal Deposit Insurance Corporation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

The audit of the Noble County Water Authority, for the year ended December 31, 1999, contained no findings or questioned costs for federal awards.



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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
NOVEMBER 14, 2000**