



**Auditor of State
Betty Montgomery**

TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Tri-County Water Authority
Harrison County
P.O. Box 26
Harrisville, Ohio 43974

To the Board of Trustees:

We have audited the accompanying financial statements of the Tri-County Water Authority, Harrison County, (the Authority) as of and for the years ended December 31, 2002 and December 31, 2001. 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 *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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Authority prepares its financial statements 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 statements referred to above present fairly, in all material respects, the cash balances of Tri-County Water Authority, Harrison County, as of December 31, 2002 and December 31, 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 14, 2003

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503

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**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	2002	2001
Operating Cash Receipts:		
Charges for Services	\$456,150	\$437,349
Ohio Water Development Authority		10,243
Miscellaneous	3,948	13,598
	460,098	461,190
Operating Cash Disbursements:		
Personal Services	106,427	111,452
Utilities	10,992	11,007
Repairs and Maintenance	15,584	14,782
Water Purchase	252,002	253,318
Contractual Services	11,095	4,100
Capital Outlay	4,490	33,450
	400,590	428,109
Operating Income/(Loss)	59,508	33,081
Non-Operating Cash Disbursements:		
Debt Service	44,295	178,925
Other Non-Operating Cash Disbursements	1,758	12,104
	46,053	191,029
Net Receipts Over/(Under) Disbursements	13,455	(157,948)
Cash Balances, January 1	263,834	421,782
Cash Balances, December 31	\$277,289	\$263,834

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

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**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tri-County Water Authority, Harrison 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 is directed by an appointed four member Board of Trustees. The Water Authority provides water services to residents in the area served by the Water Authority.

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

B. Basis of Accounting

These financial statements follow 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Budgetary Process

The Ohio Revised Code requires the Water Authority to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Water Authority to reserve (encumber) appropriations when commitments are made. The Water Authority did not encumber all commitments as required by Ohio Revised Code § 5705.41(D).

A summary of 2002 and 2001 budgetary activity appears in Note 3.

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.

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

The carrying amount of cash at December 31 was as follows:

	2002	2001
Demand deposits	\$277,289	\$263,834

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2002 and 2001 follows:

Budgeted vs. Actual Receipts		
Fund Type	2002	2001
Budgeted Receipts	\$459,000	\$410,000
Actual Receipts	460,098	461,190
Variance	\$1,098	\$51,190

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2002	2001
Appropriation Authority	\$650,010	\$558,194
Budgetary Expenditures	446,643	619,138
Variance	\$203,367	(\$60,944)

4. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Water Tank Bonds	\$195,000	5.25%
Ohio Water Development Authority	49,506	5.54%
Water Works Revenue Bonds	7,000	5.00%
Total	\$251,506	

The Water Storage Tank Bonds were issued to finance the construction of a new water tank. The Ohio Water Development Authority Loan was used to finance the planning costs of a water line project. The project has been abandoned. The Water Works Revenue Bonds were issued for capital improvements of the water delivery system. The debt issues are collateralized by the future operating revenue generated by the Water Authority

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. DEBT (Continued)

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

Year ending December 31:	Water Storage Tank Bonds	Ohio Water Development Authority	Water Works Revenue Bonds
2003	\$24,237	\$20,000	\$7,000
2004	23,502	20,000	
2005	23,767	12,361	
2006	23,980		
2007	24,140		
2008-2012	117,577		
2013	24,207		
Total	<u>\$261,410</u>	<u>\$52,361</u>	<u>\$7,000</u>

5. RETIREMENT SYSTEMS

The Water Authority's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries. The Water Authority has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Water Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Tri-County Water Authority
Harrison County
P.O. Box 26
Harrisville, Ohio 43974

To the Board of Trustees:

We have audited the accompanying financial statements of Tri-County Water Authority, Harrison County, (the Authority) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated March 14, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2002-61234-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Water Authority in a separate letter dated March 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 statements 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.

Tri-County Water Authority
Harrison County
Independent Accountant's Report on Compliance and on
Internal Control required by Government Auditing Standards
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 14, 2003

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDING NUMBER 2002-61234-001

Ohio Revised Code § 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars (\$1,000) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Water Authority did not properly certify or record the amount against the applicable appropriation accounts for 100% of 2002 and 2001 tested expenditures. The Water Authority did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Water Authority should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.



**Auditor of State
Betty Montgomery**

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TRI COUNTY WATER AUTHORITY

HARRISON 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
MAY 8, 2003**