

Tuppers Plains-Chester Water District
Meigs County

Regular Audit

January 1, 2001-December 31, 2002

BALESTRA & COMPANY

(A Division of Harr & Scherer, CPAs, Inc.)

CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET P.O. BOX 687
PIKETON, OHIO 45661

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**Auditor of State
Betty Montgomery**

Board of Trustees
Tuppers Plain Chester Water District
39561 Bar 30 Road
Reedsville, OH 45772

We have reviewed the Independent Auditor's Report of the Tuppers Plain Chester Water District, Meigs County, prepared by Balestra & Company, for the audit period January 1, 2002 through December 31, 2002. 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.

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 Tuppers Plain Chester Water District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

May 30, 2003

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TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

Table of Contents

| | |
|---|-----|
| Independent Auditor's Report | 1 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type- For the Year Ended December 31, 2002 | 2 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type- For the Year Ended December 31, 2001 | 3 |
| Notes to the Financial Statements | 4-7 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 8-9 |

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Tuppers Plains-Chester Water District
39561 Bar 30 Road
Reedsville, Ohio 45772

We have audited the accompanying financial statements of the Tuppers Plains-Chester Water District, Meigs County, Ohio, (the District) as of and for the years ended December 31, 2002, and December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of America. Those standards require that we plan and perform the audits 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 District 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Tuppers Plains-Chester Water District, Meigs County, Ohio, as of December 31, 2002, and December 31, 2001, and its combined 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 February 28, 2003 on our consideration of the District'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 officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company
Balestra & Company
February 28, 2003

TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

| | Enterprise |
|--|-------------|
| Operating cash receipts: | |
| Water sales | \$1,536,567 |
| Intergovernmental | 254,181 |
| Customer Sales | 45,728 |
| Miscellaneous | 4,643 |
| Total operating cash receipts | 1,841,119 |
| Operating cash disbursements: | |
| General expenses | 551,339 |
| ODOT Water Line Relocation | 138,683 |
| Mobile equipment | 40,731 |
| Treatment plant | 190,200 |
| Distribution system | 226,962 |
| Supplies | 7,433 |
| Office expense | 32,207 |
| Insurance | 24,420 |
| Professional expense | 5,412 |
| Land purchase | 0 |
| Office Expansion | 206,356 |
| Miscellaneous | 10,107 |
| Total operating cash disbursements | 1,433,850 |
| Operating Income | 407,269 |
| Other financing receipts and disbursements: | |
| Interest Income | 63,755 |
| Principal Debt Payments | (138,602) |
| Interest Expense | (132,637) |
| Total other financing receipts and disbursements | (207,484) |
| Excess of cash receipts over/(under) cash disbursements and other financing receipts and disbursements | 199,785 |
| Fund cash balances, January 1, 2001 | 1,263,510 |
| Fund cash balances, December 31, 2002 | \$1,463,295 |

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

TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

| | Enterprise |
|--|-------------|
| Operating cash receipts: | |
| Water sales | \$1,417,733 |
| Intergovernmental | 577,371 |
| Customer Sales | 18,559 |
| Miscellaneous | 5,978 |
| Total operating cash receipts | 2,019,641 |
| Operating cash disbursements: | |
| General expenses | 596,851 |
| ODOT Water Line Relocation | 979,592 |
| Mobile equipment | 75,345 |
| Treatment plant | 150,056 |
| Distribution system | 148,632 |
| Supplies | 21,459 |
| Office expense | 35,405 |
| Insurance | 21,129 |
| Professional expense | 17,840 |
| Land purchase | 4,800 |
| Office Expansion | 6,476 |
| Miscellaneous | 12,481 |
| Total operating cash disbursements | 2,070,066 |
| Operating loss | (50,425) |
| Other financing receipts and disbursements: | |
| Interest Income | 96,289 |
| Principal Debt Payments | (174,777) |
| Interest Expense | (158,060) |
| Total other financing receipts and disbursements | (236,548) |
| Excess of cash receipts over/(under) cash disbursements and other financing receipts and disbursements | (286,973) |
| Fund cash balances, January 1, 2001* | 1,550,483 |
| Fund cash balances, December 31, 2001 | \$1,263,510 |

*As restated, See Note 6

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

TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

1. Summary of Significant Accounting Policies

A. Description of the Entity

Tuppers Plains-Chester Water District, Meigs County, (the District) 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, in accordance with the provisions of Section 6119.01 of the Ohio Revised Code. The District is directed by five member Board of trustees whose membership is composed of trustees elected every three years by water service customers whose accounts are in good standing. The membership elects a president, vice president, and a secretary-treasurer, who are responsible for fiscal control of the resources of the District. The District was established to provide water services to the residents of the District.

The District's management believes these financial statements present all activities for which the District 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 a payment is made rather than when a liability is incurred.

The District uses funds to report on its results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

The District uses a proprietary fund type to account for ongoing activities that are similar to those found in private sector. The following is the District's proprietary fund type:

Enterprise Fund - An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income in appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Budgetary Process

Annually, the District adopts an operating budget. The District also adopts annual appropriations which are limited by estimated resources.

D. Property, Plant, Equipment, and Furniture

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 statement.

TUPPERS PLAINS-CHESTER WATER DISTRICT
 MEIGS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

2. Cash and Cash Equivalents

The District maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2002 and 2001 was as follows:

| | | |
|-----------------|-------------|-------------|
| Demand Deposits | <u>2002</u> | <u>2001</u> |
| | \$1,463,295 | \$1,263,510 |

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

3. Debt

Debt Outstanding at December 31, 2002 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|----------------------------------|--------------------|----------------------|
| USDA Loan #91-06 | \$ 294,000 | 5.875% |
| USDA Loan #91-11 | \$1,691,900 | 4.75% |
| Ohio Public Works Loan | 299,282 | 4.00% |
| Ohio Water Development Authority | <u>169,127</u> | 7.89% |
| Total | <u>\$2,454,309</u> | |

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

| <u>Year ending</u> <u>December 31:</u> | <u>USDA Loan</u> <u>#91-06</u> | <u>USDA Loan</u> <u>#91-11</u> | <u>Ohio Public</u> <u>Works Loan</u> | <u>OWDA</u> |
|---|-----------------------------------|-----------------------------------|---|-------------------|
| 2003 | \$ 23,273 | \$ 97,965 | \$ 24,952 | \$ 62,343 |
| 2004 | 22,920 | 98,029 | 24,952 | 124,686 |
| 2005 | 23,568 | 97,951 | 24,952 | |
| 2006 | 23,156 | 97,934 | 24,952 | |
| 2007 | 22,745 | 97,974 | 24,952 | |
| Subsequent | <u>440,364</u> | <u>3,134,590</u> | <u>286,949</u> | |
| Total | <u>\$ 556,026</u> | <u>\$3,624,443</u> | <u>\$ 411,709</u> | <u>\$ 187,029</u> |

TUPPERS PLAINS-CHESTER WATER DISTRICT
 MEIGS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

4. Budgetary Process

The Ohio Revised Code requires that the District adopt an operating budget annually.

Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts).

Budgetary Activity

Budgetary activity for the years ending December 31, 2002 and 2001 was as follows:

2002 Budgeted VS. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|------------------|------------------------------|----------------------------|--|
| Enterprise | \$1,609,105 | \$1,904,874 | \$295,769 |

2002 Budgeted VS. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|------------------|------------------------------------|-----------------------------------|--|
| Enterprise | \$1,805,755 | \$1,705,089 | \$100,666 |

TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

4. Budgetary Process (Continued)

2001 Budgeted VS. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|------------------|--------------------------|------------------------|--|
| Enterprise | \$1,512,365 | \$2,115,930 | \$603,565 |

2001 Budgeted VS. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance Favorable/ (Unfavorable)</u> |
|------------------|--------------------------------|-------------------------------|--|
| Enterprise | \$2,525,219 | \$2,402,903 | \$122,316 |

In 2001 and 2000, disbursements exceeded appropriations of \$99,344 and \$877,684. This is in violation of Ohio Revised Code Section 5705.41(B), which prohibits the expenditure of funds unless they have been properly appropriated.

5. Risk Management

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Municipal Property
- Vehicles
- Errors and Omissions

6. Prior Period Adjustment

Fund cash balances for the following funds were adjusted due to the correction of an error in the prior year:

| Fund Cash Balance: | <u>Enterprise</u> | <u>Internal Service:</u> | <u>Total</u> |
|---|--------------------|--------------------------|--------------------|
| December 31, 2000 | \$1,548,366 | 2,117 | \$1,550,483 |
| Restatement Amount | <u>2,117</u> | <u>(2,117)</u> | <u>0</u> |
| Balance at December 31, 2000, as restated | <u>\$1,550,483</u> | <u>0</u> | <u>\$1,550,483</u> |

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Tuppers Plains-Chester Water District
39561 Bar 30 Road
Reedsville, Ohio 45772

We have audited the accompanying financial statements of Tuppers Plains-Chester Water District, (the District) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated February 28, 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 District'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 no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District'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 withing 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.

Board of Trustees
Tuppers Plains-Chester Water District
39561 Bar 30 Road
Reedsville, Ohio 45772

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

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

Balestra & Company
Balestra & Company

February 28, 2003



**Auditor of State
Betty Montgomery**

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TUPPERS PLAIN CHESTER WATER DISTRICT

MEIGS 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
JUNE 12, 2003**