

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Board of Trustees
Tuppers Plains-Chester Water District
39561 Bar 30 Road
Reedsville, Ohio 43776

We have reviewed the *Independent Accountants' Report* of the Tuppers Plains-Chester Water District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Plains-Chester Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 16, 2009

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**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

July 31, 2009

Tuppers Plains-Chester Water District
Meigs County
39561 Bar 30 Road
Reedsville, OH 43776

To the Board of Trustees:

We have audited the accompanying financial statements of **Tuppers Plains-Chester Water District, Meigs County, Ohio**, (the District) as of and for the years ended December 31, 2008 and 2007. 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Authorities to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2008 and 2007 or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Tuppers Plains-Chester Water District, Meigs County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES-PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007**

	2008	2007
Operating Cash Receipts:		
Water Sales	\$ 1,822,592	\$ 1,770,325
Customer Sales	100,812	118,606
Miscellaneous	22,175	20,195
	<u>1,945,579</u>	<u>1,909,126</u>
Total Operating Cash Receipts		
Operating Cash Disbursements:		
General Expenses	1,000,613	783,493
Mobile Equipment	90,268	69,615
Treatment Plant	168,198	230,735
Distribution System	200,729	160,440
Office Expense	32,918	43,128
Insurance	20,237	19,838
Professional Expense	5,516	9,305
Refunds	-	2,338
Capital Outlay	415,805	150,064
	<u>1,934,284</u>	<u>1,468,956</u>
Total Operating Cash Disbursements		
Operating Income	<u>11,295</u>	<u>440,170</u>
Non-Operating Cash Receipts And Cash Disbursements		
Interest Income	80,867	66,312
Principal Debt Payments	(59,130)	(56,196)
Interest Expense	(138,982)	(167,272)
	<u>(117,245)</u>	<u>(157,156)</u>
Total Non-Operating Receipts And Cash Disbursements		
Net Cash Receipts Over/(Under) Cash Disbursements	<u>(105,950)</u>	<u>283,014</u>
Fund Cash Balances, January 1	<u>2,364,415</u>	<u>2,081,401</u>
Fund Cash Balances, December 31	<u>\$ 2,258,465</u>	<u>\$ 2,364,415</u>

See notes to the financial statements

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed 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 cash 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. Budgetary presentations report expenditures when a commitment is made (i.e., when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Investments are reported assets and are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposits, repurchase agreement, sweep account, and federal agency instruments are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The District uses funds to report on its 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 (enterprise fund) to account for ongoing activities that are similar to those found in the private sector. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where intent is 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.

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

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). The Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. Equity in Pooled Cash

The District may invest in certificates of deposit, notes, bonds, or other obligations of the United States, or any agency or instrumentally thereof, or in obligations of the State or any political subdivision thereof. The carrying amount of cash at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 650	\$ 550
Demand Deposits	74,799	248,203
Certificates of Deposit	<u>2,183,016</u>	<u>2,115,662</u>
Total Deposits	<u><u>\$ 2,258,465</u></u>	<u><u>\$2,364,415</u></u>

Deposits:

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

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

Budgeted vs. Actual Receipts			
Year	Budgeted Receipts	Actual Receipts	Variance
2008	\$2,040,750	\$2,026,446	\$14,304
2007	\$1,961,834	\$1,975,438	\$13,604

Budgeted vs. Actual Budgetary Basis Expenditures			
Year	Appropriation Authority	Budgetary Expenditures	Variance
2008	\$2,013,782	\$2,132,396	(\$118,614)
2007	\$1,822,177	\$1,692,424	\$129,753

4. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
USDA Loan #91-06	\$ 253,000	5.88%
USDA Loan #91-11	1,573,000	4.75%
USDA Loans #91-12 and #91-14	2,190,000	4.13%
Ohio Water Development Authority Loan 4363	300,207	4.00%
Ohio Public Works Loan CR003	212,232	0.04%
Total	\$4,528,439	

December 31, 2006 principal amounts outstanding were restated from \$4,733,255 to \$4,643,765.

Amortization of the above debt is scheduled as follows:

Year	Principal	Interest
2009	\$ 85,803	\$ 199,421
2010	90,016	195,710
2011	93,271	191,802
2012	97,969	187,758
2013	101,513	183,498
2014-2018	580,496	846,999
2019-2023	596,841	717,772
2024-2028	609,330	578,506
2029-2033	625,000	446,210
2034-2038	778,200	292,959
2039-2043	548,600	130,763
2044-2046	321,400	27,355
Total	\$ 4,528,439	\$ 3,998,753

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

5. Retirement System

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which including postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, PERS members contributed 10.0% for 2008 and 9.5% for 2007 of their gross salaries. The District contributed an amount equal to 14% for 2008 and 13.85% for 2007 of participant's gross salaries. The District has paid all contributions required through December 31, 2008.

6. Risk Management

The District has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Vehicles
- Property

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

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

July 31, 2009

Tuppers Plains-Chester Water District
Meigs County
39561 Bar 30 Road
Reedsville, OH 43776

To the Board of Trustees:

We have audited the financial statements of **Tuppers Plains-Chester Water District, Meigs County, Ohio** (the District) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 31, 2009, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated July 31, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic 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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

This report is intended solely for the information and use of management and District Trustees. We intend it for no other than those specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**TUPPERS PLAINS-CHESTER WATER DISTRICT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness

Cash Reconciliations

Adequate cash reconciliations were not performed during 2008 that resulted in the District's checking account being overdrawn. It was necessary for the District to hire outside consultants to ensure accurate cash balances. The failure to perform adequate reconciling procedures and lack of monitoring by management and the Board could have resulted in material misstatement of cash balances during 2008.

We recommend reconciliations be performed promptly after each month end and that they be reviewed by the General Manager and approved by the Board of Trustees.

Management's Response – We did not receive a response from officials to this finding.



Mary Taylor, CPA
Auditor of State

TUPPERS PLAINS-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
SEPTEMBER 29, 2009