



Dave Yost • Auditor of State



**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statement and related notes of Tri-County Water Authority, Harrison County, Ohio (the Authority), as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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' *Authority 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 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 opinion.

### ***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 Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2012 and 2011, 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 balance of Tri-County Water Authority, Harrison County, as of December 31, 2012 and 2011, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Other Reporting Required by Authority Auditing Standards***

In accordance with *Authority Auditing Standards*, we have also issued our report dated July 12, 2013 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 *Authority Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 12, 2013

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$526,581	\$516,020
Miscellaneous	1,275	1,376
Total Operating Cash Receipts	527,856	517,396
<b>Operating Cash Disbursements:</b>		
Personal Services	127,926	133,045
Utilities	15,784	14,044
Repairs and Maintenance	23,544	17,880
Other Contractual Services	7,795	4,719
Chemicals and Operating Supplies	337,090	322,640
Capital Outlay	160,917	
Total Operating Cash Disbursements	673,056	492,328
Operating Income/(Loss)	(145,200)	25,068
<b>Non-Operating Cash Receipts:</b>		
Sale of Notes	161,542	
Total Non-Operating Cash Receipts	161,542	
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	4,920	
Other Non-Operating Cash Disbursements	1,537	756
Total Non-Operating Cash Disbursements	6,457	756
Net Receipts Over/(Under) Disbursements	9,885	24,312
Cash Balance, January 1	250,587	226,275
<b>Cash Balance, December 31</b>	<b>\$260,472</b>	<b>\$250,587</b>

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

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**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011**

**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 Tri-County Water Authority, Harrison County (the Authority), as a body corporate and politic. Each political subdivision within the Authority appoints one member to the Board of Trustees to direct the Authority. There are three Board members representing each of the three counties that make up the authority: Harrison, Jefferson, and Belmont, and one member from the Village of Harrisville to direct the Authority. Subdivisions within the Authority are: The Village of Harrisville, Colerain Township, Mount Pleasant Township, and Short Creek Township. The Authority provides water services to residents of the Authority.

The Authority participates in the Public Entities Pool of Ohio. Notes 6 to the financial statements provides additional information for these entities. This organization is:

Public Entity Risk Pool:

The Authority belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**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.

**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 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. Appropriations lapse at year end.

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**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 Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Authority did not use the encumbrance method of accounting.

A summary of 2012 and 2011 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 statement does not report these items as assets.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

**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:

	2012	2011
Demand deposits	\$220,472	\$209,779
Certificates of deposit	40,000	40,808
Total deposits	\$260,472	\$250,587

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation;

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

Budgeted vs. Actual Receipts		
	2012	2011
Actual Receipts	\$689,398	\$517,396
Budgeted Receipts	550,000	540,000
Variance	\$139,398	(\$22,604)

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Budgeted vs. Actual Budgetary Basis Expenditures		
	2012	2011
Appropriation Authority	\$691,300	\$682,400
Budgetary Expenditures	679,513	492,328
Variance	\$11,787	\$190,072

**4. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$158,237	2%

Ohio Water Development Authority (OWDA) loan was issued in 2012 for painting and repairing the water tank. The loan is collateralized by water receipts.

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

	OWDA Loan
Year ending December 31:	
2013	\$4,920
2014	9,840
2015	9,840
2016	9,840
2017	9,840
2018-2022	49,199
2023-2027	49,199
2028-2032	49,199
Total	\$191,874

**5. RETIREMENT SYSTEMS**

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 2012 and 2011, 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, 2012.

**6. RISK MANAGEMENT**

The Authority is exposed to various risks of property and casualty losses, and injuries to employees.

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

The Authority insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Authority belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Authority's share of these unpaid claims collectible in future years is approximately \$4,839.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

<b><u>Contributions to PEP</u></b>	
<b><u>2012</u></b>	<b><u>2011</u></b>
\$4,804	\$4,771

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 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 Tri-County Water Authority, Harrison County, Ohio (the Authority), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statement and have issued our report thereon dated July 12, 2013, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

### ***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statement is 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 12, 2013



**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

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

**FINDING NUMBER 2012-01**

**Material Weakness**

The Fiscal Officer did not correctly code and classify all receipts and disbursements in 2012, resulting in adjustments and reclasses to the financial statement. The Fiscal Officer has agreed to the adjustments and reclasses and has posted the adjustments and reclasses to the Authority's accounting records. The corrected amounts are reflected in the accompanying financial statement.

**2012: - General Fund**

Account	Amount	Description
Charges for services receipts Other Non-operating disbursements	\$41,635	Receipts and disbursements were overstated by this amount, as investment activity was posted as a receipt and expenditure.
Charges for services receipts Other Non-operating disbursements Proceeds from loan	(\$160,917) \$624 \$161,541	To reclassify debt proceeds and loan fee that were misposted
Debt service Other contractual disbursements	\$4,920 (\$4,920)	To reclass debt payment that was misposted

Failure to consistently follow a uniform chart of accounts increases the possibility the Authority will not be able to identify, analyze, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Authority to identify, analyze, classify, record, and report its transactions and to maintain accountability. All transactions should be properly coded and classified according to a chart of accounts to help ensure that financial activity of the Authority is accurately recorded and reported. In addition, the Authority should adopt procedures for the review of posted transactions and subsequent reporting on the financial statement.

**Officials' Response:**

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Posting of Receipts and Disbursements	No	Reissued as Finding Number 2012-01



# Dave Yost • Auditor of State

**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  
AUGUST 13, 2013**