



Dave Yost • Auditor of State



YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

York Township Water Authority  
Belmont County  
110 Chestnut Street  
Powhatan Point, Ohio 43942

To the Board of Trustees:

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

We were engaged to audit the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the York Township Water Authority, Belmont County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013.

### ***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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The Authority's management did not provide written representations regarding the financial statement and Authority activity for the audit period. We were unable to satisfy ourselves by other auditing procedures.

### ***Disclaimer of Opinion***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2016, 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 *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 24, 2016

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN BALANCES (CASH BASIS)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$109,656	\$107,185
<i>Total Operating Cash Receipts</i>	<i>109,656</i>	<i>107,185</i>
<b>Operating Cash Disbursements:</b>		
Personal Services	16,245	20,468
Utilities	646	457
Repairs and Maintenance	9,947	10,813
Testing and Licenses	828	116
Water	54,660	60,381
Administrative	12,594	11,707
<i>Total Operating Cash Disbursements</i>	<i>94,920</i>	<i>103,942</i>
<i>Operating Income</i>	<i>14,736</i>	<i>3,243</i>
<b>Non-Operating Cash Receipts:</b>		
Miscellaneous	0	1,000
Interest	158	230
<i>Total Non-Operating Cash Receipts</i>	<i>158</i>	<i>1,230</i>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		
Principal	12,889	12,262
Interest	743	1,370
<i>Total Non-Operating Cash Disbursements</i>	<i>13,632</i>	<i>13,632</i>
<i>Net Receipts Over/(Under) Disbursements</i>	<i>1,262</i>	<i>(9,159)</i>
Cash Balances, January 1	76,112	85,271
<i>Cash Balances, December 31</i>	<i>\$77,374</i>	<i>\$76,112</i>

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

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**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013**

**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 York Township Water Authority, Belmont County, Ohio (the Authority), as a body corporate and politic. The Authority is directed by a five member Board of Trustees appointed by the Belmont County Common Pleas Court Judge. The Authority provides water utility services to residents of York Township, Belmont County

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**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.

The Authority had a non-interest bearing checking account, a savings account and a certificate of deposit during the audit period.

**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 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). Appropriations lapse at year end.

**2. Estimated Resources**

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

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2014 and 2013 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 statements do not report these items as assets.

**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:

	2014	2013
Demand deposits	\$16,552	\$15,447
Certificates of deposit	5,580	5,563
Other time deposits (savings and NOW accounts)	55,242	55,102
Total deposits	\$77,374	\$76,112

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013, follows:

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$109,814	\$109,814

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$108,552	(\$108,552)

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$108,415	\$108,415

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$117,574	(\$117,574)

Contrary to Ohio law, the Authority did not adopt a budget, appropriations or estimated resources.

**4. DEBT**

Debt outstanding at December 31, 2014, was as follows:

	Principal	Interest Rate
Bank Loan	\$6,242	5%

The Authority entered into an agreement with the First National Bank of Powhatan Point to finance a waterline replacement project. The loan was entered into on June 30, 2010 for \$60,000. Repayment is to be made over a 60 month period.

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

Year ending December 31:	
2015	\$6,373

**5. RETIREMENT SYSTEM**

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 2014 and 2013, 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, 2014.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Authority has obtained commercial insurance for comprehensive property and general liability. The Authority is uninsured for the risk of errors and omissions.

**7. CONTINGENT LIABILITY**

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

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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*

York Township Water Authority  
Belmont County  
110 Chestnut Street  
Powhatan Point, Ohio 43942

To the Board of Trustees:

We were engaged to audit the financial statement of the cash balances, receipts, and disbursements of the York Township Water Authority, Belmont County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statement and have issued our report thereon dated August 24, 2016, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We did not opine on this financial statement because the Authority's management did not provide written representations regarding the financial statement and Authority activity for the audit period.

### ***Internal Control Over Financial Reporting***

As part of our financial statement engagement, 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 opinions on the financial statement, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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 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 statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2014-002 and 2014-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's 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, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2014-001.

***Authority's Response to Findings***

The Authority's responses to the findings identified in our engagement are described in the accompanying Schedule of Findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 24, 2016

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Noncompliance**

Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

According to Ohio Rev. Code § 5705.28(B)(2)(b), although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a water district is still required to follow these Ohio Rev. Code §§: 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the Water Authority to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

The Authority did not comply with the aforementioned budgetary laws for the periods ended December 31, 2014 and 2013. The Authority did not appropriate expenditures; therefore, the Authority was unable to monitor operations via the control that budgeting provides.

The Authority's accounting system did not allow for integration of budget information or encumbrances.

Budgeted amounts of receipts and disbursements integrated into the Authority's accounting system would allow for meaningful comparisons between the budgeted and actual figures.

The Authority should comply with applicable budgetary laws as noted in the Ohio Revised Code.

**Officials Response:** The York Township Water Authority has appointed Felton CPA to address the Findings 2014-001, 2014-002 and 2014-003.

**FINDING NUMBER 2014-002**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Authority's staff did not allow for an adequate segregation of duties; the Treasurer performed all accounting functions. It is therefore important that the Authority Board function as a finance committee to monitor financial activity closely. There was no documentation of the extent to which the Board reviewed bank reconciliations, financial reports and records to monitor financial activity of the Authority.

This could result in the ledgers of the Authority not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Authority's annual report without the timely knowledge of the Board.

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-002 (Continued)**

**Material Weakness (Continued)**

Financial information should be presented to the Board on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the Authority's cash book to gain assurances that the records are posted up to date, in agreement with the presented reports and reflect authorized transactions. These reviews should be documented in the minutes of the Board meetings.

**Officials' Response:** See response to Finding Number 2014-001.

**FINDING NUMBER 2014-003**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Authority did not have control procedures in place to ensure the accuracy of the Treasurer's receipts and disbursement amounts on the financial statements. When the Treasurer compiled the financial statements, various receipts and disbursements were posted incorrectly.

We noted the following errors in the financial statements compiled by the Treasurer:

- As of December 31, 2014 and 2013, amounts recorded for utility charges for services receipts were understated when compared to actual revenue received, by \$14,908 and \$20,550, respectively.
- At December 31, 2014 and 2013 Administrative expenditures were overstated in the amount of \$1,586, and \$1,728, respectively, for the employee portion of PERS and Medicare.
- Certificate of deposit (CD) and savings account activity and balances were not reported on the financial statements in either 2014 or 2013. For 2014, the CD and savings account ending balances were \$5,580 and \$55,242, respectively. Also interest revenue in the amount of \$158 was not reflected on the financial statements. For 2013, the CD and savings account ending balances were \$5,563 and \$55,102, respectively. Also, a donation (Miscellaneous) received in the amount of \$1,000 was deposited in the savings account and not reflected on the financial statements. Interest revenue in the amount of \$230 was not reflected on the financial statements. The Treasurer transferred \$5,000 from the savings account to the general checking account and this amount was reflected as charges for services on the financial statements, thus overstating revenues.
- Debt payments (principal and interest) for both years in the amount of \$13,632 were reflected as capital expenditures instead of Debt Service expenditures.
- Beginning fund balance at January 1, 2013 and January 1, 2014 was overstated by \$2,017 and \$102, respectively, on the financial statements.

These adjustments, to which management agrees, are reflected in the accompanying financial statements.

**YORK TOWNSHIP WATER AUTHORITY  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2014-003 (Continued)**

**Material Weakness (Continued)**

The Treasurer should review guidance within the Ohio Administrative Code. This guidance will allow the Treasurer to make proper postings to receipt and disbursement account classifications based on the source of the receipt or disbursement. Also the Certificate of deposit and savings account activity should be accounted for on the Authority's ledgers and reflected on the financial statements. Someone independent of the Treasurer, preferably a member of the Board, should periodically review postings to the accounting system for accuracy.

**Officials' Response:** See response to Finding Number 2014-001.

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# Dave Yost • Auditor of State

**YORK TOWNSHIP WATER AUTHORITY**

**BELMONT 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 20, 2016**