

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY
Regular Audit
For the Years Ended December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Noble County Water Authority
P.O. Box 127
Belle Valley, Ohio 43717

We have reviewed the *Independent Accountants' Report* of the Noble County Water Authority, Noble County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. 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 Noble County Water Authority 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

June 25, 2007

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**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

June 11, 2007

Noble County Water Authority
Noble County
P.O. Box 127
Belle Valley, Ohio 43717

To the Board of Trustees:

We have audited the accompanying financial statements of **Noble County Water Authority**, Noble County, Ohio, (the Authority) as of and for the years ended December 31, 2006 and 2005. 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 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 Authority 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.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Authority has elected not to reformat its statements. Since the Authority does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2006 and 2005 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 fund cash balances of Noble County Water Authority, Noble County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Authority 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 June 11, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**NOBLE COUNTY WATER DISTRICT
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Operating Cash Receipts:		
Charges for services	\$162,147	\$155,322
Tap fees	31,840	5,315
Total Operating Cash Receipts	193,987	160,637
Operating Cash Disbursements:		
Repairs and Maintenance	660	1,353
Testing and Licenses	2,105	2,200
Office Supplies and Materials	3,496	2,797
Purchased Water	38,610	38,855
Total Operating Cash Disbursements	44,871	45,205
Operating Income/(Loss)	149,116	115,432
Non-Operating Cash Receipts:		
Security Deposits	1,875	750
Interest	6,470	4,416
Intergovernmental Revenues	23,120	30,410
Other Non-Operating Revenues	1,420	1,100
Total Non-Operating Cash Receipts	32,885	36,676
Non-Operating Cash Disbursements:		
Contract Services	11,256	12,261
Insurance	1,711	1,770
Utilities	7,654	7,287
Personal Services	46,068	45,380
Refund of Security Deposits	493	620
Regulatory Penalties	7,600	-
Debt Service		
Principal	10,000	10,000
Interest	35,775	36,225
Capital Outlay	31,054	6,059
Other Non-Operating Cash Disbursements	1,560	1,144
Total Non-Operating Cash Disbursements	153,171	120,746
Net Receipts Over/(Under) Disbursements	28,830	31,362
Cash Balance, January 1	224,329	192,967
Cash Balance, December 31	\$253,159	\$224,329

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

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Noble County Water Authority, Noble County, (the Authority) as a body corporate and politic. The Water Authority was established as a separate political subdivision of the State of Ohio under the provisions of Chapter 6119 of the Ohio Revised Code. The Water Authority is directed by an appointed five-member Board of Trustees. Board members are appointed by the Board of Trustees and the Noble County Commissioners. Subdivisions within the Water Authority include all or parts of Jackson, Marion, Olive, Sharon, Elk, Center, Beaver, Wayne, Jefferson, Stock and Noble Townships in Noble County. The Water Authority provides water services to residents of the Water Authority service area.

The Authority's management believes these financial statements present all activities for which the 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 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

The accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale as receipts or disbursements, respectively. The accounting basis values certificates of deposit at cost.

D. Fund Accounting

The Authority uses fund accounting to segregate cash and investments that are restricted as to use. The Authority classifies its funds into the following types:

Proprietary Fund Type

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends to recover the significant costs of providing certain goods or services through user charges.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

Under HB 262, effective for fiscal years ended December 31, 2000 and subsequent, water and sewer districts not levying property taxes must follow most of the Ohio Revised Code Chapter 5705 budget requirements, but need not seek approval of a county budget commission for any budgetary actions. These districts must:

HB 262 Requirements	Applicable ORC Sections
Estimated receipts and adopt an operating budget	5705.28(B)(2)(a)
Prepare certificate of estimated resources (but does not require budget commission approval)	5705.36
Must amend estimated resources under the circumstances described in OCS	5705.36
Appropriate at the minimum level of control prescribed by ORC 5705.38. No budget commission approval is required.	5705.38
Cannot appropriate more than estimated resources	5705.28(B)(2)(c)
Must amend appropriations if they intend to spend more than the original appropriation	5705.40
Cannot disburse or encumber more than appropriated	5705.41(B)
Must certify availability of funds	5705.41(D)
May issue blanket or super blanket purchase orders	5705.41(D)

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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 Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated. The Authority does not use encumbrances.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Authority.

2. Equity in Pooled Cash and Investments

The Authority maintains cash used by the General fund in a general checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 98,363	\$ 69,931
Certificates of deposit	<u>154,796</u>	<u>154,398</u>
Total Deposits	<u>\$ 253,159</u>	<u>\$ 224,329</u>

Deposits:

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

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

Budgeted vs. Actual Receipts		
	2006	2005
Budgeted Receipts	\$ 227,000	\$ 198,000
Actual Receipts	226,826	197,313
Variance	\$ (174)	\$ (687)

Budgeted vs. Actual Budgetary Basis Expenditures		
	2006	2005
Appropriation Authority	\$ 199,000	\$ 166,000
Budgetary Expenditures	198,042	165,951
Variance	\$ 958	\$ 49

4. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$ 785,000	4.50%
Total	\$ 785,000	

The Water Authority issued \$814,000 of Water Resource Project Revenue Bonds on September 2001 to finance the construction of its water facilities and lines. The bonds are collateralized by the future revenues of the water facilities of the Water Authority.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(continued)**

4. Debt (Continued)

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

<u>Year Ending December 31</u>	<u>USDA Notes Payable</u>
2007	46,325
2008	45,830
2009	46,335
2010	45,795
2011	45,255
2012-2016	226,590
2017-2021	224,715
2022-2026	220,600
2027-2031	220,850
2032-2036	221,160
2037-2041	219,820
Totals	\$ 1,563,275

5. Retirement Systems

The Authority's 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 post retirement 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 2006 and 2005, PERS members contributed 9.0% for 2006 and 8.5% for 2005 of their gross salaries. The Authority contributed an amount equal to 13.70% for 2006 and 13.55% for 2005 of participant's gross salaries. The Authority has paid all contributions required through December 31, 2006.

6. Risk Management

The Authority has obtained commercial insurance for the following risks:

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

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

June 11, 2007

Noble County Water Authority
Noble County
P.O. Box 127
Belle Valley, Ohio 43717

To the Board of Trustees:

We have audited the financial statements of **Noble County Water Authority**, Noble County, Ohio (the Authority) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 11, 2007, wherein we noted the Authority 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 Authority'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 Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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 Authority'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 Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Internal Control Over Financial Reporting (Continued)

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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Authority'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 the Board of Trustees and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-002	ORC § 5705.41 (B)	Yes	Corrected
2004-001	ORC § 5705.41 (D)	Yes	Corrected



Mary Taylor, CPA
Auditor of State

NOBLE COUNTY WATER AUTHORITY

NOBLE 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
JULY 5, 2007**