



Mary Taylor, CPA
Auditor of State

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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August 7, 2009

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Tri-County Water Authority, Harrison County, (the Authority) as of and for the years ended December 31, 2008 and 2007. 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Authority 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 Authority as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

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

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 August 7, 2009, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 7, 2009

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

| | 2008 | 2007 |
|--|-------------------------|-------------------------|
| Operating Cash Receipts: | | |
| Charges for Services | \$453,965 | \$452,044 |
| Miscellaneous | 3,657 | 6,723 |
| | <u>457,622</u> | <u>458,767</u> |
| Total Operating Cash Receipts | <u>457,622</u> | <u>458,767</u> |
| Operating Cash Disbursements: | | |
| Personal Services | 75,331 | 71,505 |
| Utilities | 12,306 | 12,182 |
| Repairs and Maintenance | 14,592 | 14,402 |
| Testing and Licenses | 485 | 610 |
| Other Contractual Services | 3,878 | 5,499 |
| Water Purchases | 273,622 | 275,628 |
| Office Supplies and Materials | 19,324 | 17,520 |
| Insurance | 8,199 | 7,901 |
| Capital Outlay | 1,547 | 6,306 |
| | <u>409,284</u> | <u>411,553</u> |
| Total Operating Cash Disbursements | <u>409,284</u> | <u>411,553</u> |
| Operating Income/(Loss) | <u>48,338</u> | <u>47,214</u> |
| Non-Operating Cash Disbursements: | | |
| Debt Service | | 106,128 |
| Other Non-Operating Cash Disbursements | 578 | 291 |
| | <u>578</u> | <u>106,419</u> |
| Total Non-Operating Cash Disbursements | <u>578</u> | <u>106,419</u> |
| Net Receipts Over/(Under) Disbursements | <u>47,760</u> | <u>(59,205)</u> |
| Cash Balances, January 1 | <u>175,619</u> | <u>234,824</u> |
| Cash Balances, December 31 | <u>\$223,379</u> | <u>\$175,619</u> |

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

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**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

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

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. The Village of Harrisville appoints one member to the Board of Trustees to represent each of the three counties that make up the Authority: Harrison, Jefferson, and Belmont and one member from the Village, 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 and sewer services to these residents.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Accounting Basis

These financial statements follow 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.

These statements include 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.

The Authority values its Certificates of Deposit at cost.

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

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

A summary of 2008 and 2007 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. CASH AND INVESTMENTS

The Authority may invest in certificates of deposits, notes, bonds or other obligations of the United States, or any agency or instrumentality, thereof, or in obligations of the State or any political subdivision, thereof..

The carrying amount of cash and investments at December 31 was as follows:

| | 2008 | 2007 |
|-------------------------|-----------|-----------|
| Demand deposits | \$181,440 | \$135,619 |
| Certificates of deposit | 41,939 | 40,000 |
| Total deposits | \$223,379 | \$175,619 |

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

3. BUDGETARY ACTIVITY

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

| Budgeted vs. Actual Receipts | | |
|------------------------------|------------|------------|
| | 2008 | 2007 |
| Actual Receipts | \$457,622 | \$458,767 |
| Budgeted Receipts | 504,000 | 513,000 |
| Variance | (\$46,378) | (\$54,233) |

| Budgeted vs. Actual Budgetary Expenditures | | |
|--|-----------|-----------|
| | 2008 | 2007 |
| Appropriation Authority | \$544,000 | \$611,185 |
| Budgetary Expenditures | 409,862 | 517,972 |
| Variance | 134,138 | 93,213 |

**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

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

4. 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Authority contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Authority has paid all contributions required through December 31, 2008.

5. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of Tri-County Water Authority, Harrison County, (the Authority) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 7, 2009, 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 opinion 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.

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 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.

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 Authority's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting
(Continued)**

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

We also noted certain internal control matters that we reported to the Authority's management in a separate letter dated August 7, 2009.

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, 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*.

We did note certain noncompliance or other matters that we reported to the Authority's management in a separate letter dated August 7, 2009.

We intend this report solely for the information and use of the management and Authority Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 7, 2009

**TRI-COUNTY WATER AUTHORITY
HARRISON 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

Material Weakness

The Authority did not correctly code and classify all receipts and disbursements in 2007 and 2008, resulting in reclassifications and adjustments to the financial statements. The Authority's Clerk has agreed to the reclassifications and adjustments and has posted the adjustments to the Authority's accounting records. The corrected amounts are reflected in the accompanying financial statements.

2007:

| Fund | Account | Amount | Description |
|--------------------------|---|---------------|--|
| Adjustments | | | |
| General | Personnel Expenditures | \$2,280 | To adjust for disbursements recorded but not paid. |
| General | Miscellaneous Revenue | \$1,902 | To adjust for interest not recorded. |
| General | Other Uses | \$1,569 | To adjustment for disbursements recorded but not paid |
| Reclassifications | | | |
| General | Charges for Services Miscellaneous Revenue | \$38,431 | To eliminate transactions recorded to account for the rollover of a certificate of deposit |

2008:

| Fund | Account | Amount | Description |
|--------------------------|--------------------------------|---------------|-------------------------------------|
| Reclassifications | | | |
| General | Miscellaneous Revenue | \$7,010 | To correctly classify revenue |
| General | Other Financing Uses | \$5,650 | To correctly classify expenditures |
| General | Personal Services Expenditures | \$1,360 | To correctly classify expenditures. |

Failure to consistently follow a uniform chart of accounts increases the possibility the Authority will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Authority Clerk should maintain the accounting system to enable the Authority to identify, assemble, analyze, classify, record and report all 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 posting of transactions and subsequent posting to the financial statements.

Officials' Response:

We did not receive a response from officials to this finding.

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**TRI-COUNTY WATER AUTHORITY
HARRISON COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|--|-------------------------|--|
| 2006-001 | Ohio Revised Code Section 5705.41D – Certification | Yes | Corrections have been made. |



Mary Taylor, CPA
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
SEPTEMBER 22, 2009**