



Dave Yost • Auditor of State



**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

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# Dave Yost • 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.

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**Dave Yost**  
Auditor of State

April 18, 2011

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# Dave Yost • 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, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 April 18, 2011, 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.

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**Dave Yost**  
Auditor of State

April 18, 2011



**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$480,151	\$476,181
Miscellaneous	925	2,449
	<hr/>	<hr/>
Total Operating Cash Receipts	481,076	478,630
	<hr/>	<hr/>
<b>Operating Cash Disbursements:</b>		
Personal Services	143,069	143,388
Utilities	13,377	14,112
Repairs and Maintenance	19,034	19,745
Other Contractual Services	1,349	1,126
Chemicals and Operating Supplies	301,502	278,179
Office Supplies and Materials	57	59
Capital Outlay		20,833
	<hr/>	<hr/>
Total Operating Cash Disbursements	478,388	477,442
	<hr/>	<hr/>
Operating Income/(Loss)	2,688	1,188
	<hr/>	<hr/>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		
Other Non-Operating Cash Disbursements	542	438
	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	542	438
	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	2,146	750
	<hr/>	<hr/>
Cash Balances, January 1	224,129	223,379
	<hr/>	<hr/>
<b>Cash Balances, December 31</b>	<b><u><u>\$226,275</u></u></b>	<b><u><u>\$224,129</u></u></b>

*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, 2010 AND 2009**

**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 residents of the Authority.

The Authority participates in the Public Entities Pool of Ohio, a public entity risk pool. Note 5 to the financial statements provides additional information for this entity. 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 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 Certificated 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.

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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.

A summary of 2010 and 2009 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. EQUITY IN POOLED DEPOSITS**

The Authority may invest in certificates of deposits.

The carrying amount of deposits at December 31 was as follows:

	2010	2009
Demand deposits	\$186,275	\$180,654
Certificates of deposit	40,000	43,475
Total deposits	226,275	224,129

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending [End of Years Audited] follows:

	Budgeted vs. Actual Receipts	
	2010	2009
Actual Receipts	\$481,076	\$478,630
Budgeted Receipts	470,000	575,000
Variance	\$11,076	(\$96,370)

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY - (Continued)**

Budgeted vs. Actual Budgetary Basis Expenditures		
	2010	2009
Appropriation Authority	\$590,780	\$575,000
Budgetary Expenditures	478,930	477,880
Variance	\$111,850	\$97,120

**4. RETIREMENT SYSTEMS**

The Authority's 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 2010 and 2009, 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, 2010.

**5. RISK MANAGEMENT**

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

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2009, 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.

**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. RISK MANAGEMENT - (Continued)**

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, 2009 and 2008 (the latest information available):

	<u><b>2009</b></u>	<u><b>2008</b></u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Authority's share of these unpaid claims collectible in future years is approximately \$4,516.

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.

The Authority's contribution to PEP for 2010 was \$4,804.

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.



# Dave Yost • 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, 2010 and 2009, and have issued our report thereon dated April 18, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 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 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 matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated April 18, 2011.

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

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**Dave Yost**  
Auditor of State

April 18, 2011



**TRI-COUNTY WATER AUTHORITY  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-01**

**Material Weakness**

The Fiscal Officer did not correctly code and classify all receipts and disbursements in 2009 and 2010, resulting in adjustments to the financial statements. The Fiscal Officer has agreed to the adjustments and has posted the adjustments to the Authority's accounting records. The corrected amounts are reflected in the accompanying financial statements.

**2009:**

Fund	Account	Amount	Description
General	Miscellaneous Revenue	\$151	To record Certificate of Deposit interest not recorded.

**2010:**

General	Miscellaneous Revenue	(\$43,474)	To eliminate posting of Certificate of Deposit Reinvestment.
General	Other Non-Operating Cash Disbursements	\$40,000	To eliminate posting of Certificate of Deposit Reinvestment.

Failure to consistently follow a uniform chart of accounts increases the possibility the Authority will not be able to identify, analyze, classify, 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 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, 2010 AND 2009

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Posting of Receipts and Disbursements	No	Reissued as Finding Number 2010-01.

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# 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  
JUNE 28, 2011**