



**Auditor of State
Betty Montgomery**

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 statement of the Noble County Water Authority, Noble County, Ohio (the Water Authority), as of and for the years ended December 31, 2002 and 2001. This financial statement is the responsibility of the Water Authority's management. Our responsibility is to express an opinion on this financial statement 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Water Authority prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Noble County Water Authority, Noble County, as of December 31, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2003 on our consideration of the Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Noble County Water Authority
Noble County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

October 10, 2003

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Operating Cash Receipts:		
Charges for Services	\$123,601	\$114,012
Tap Fees	6,600	19,090
Refunds	237	1,317
	<hr/>	<hr/>
Total Operating Cash Receipts	130,438	134,419
	<hr/>	<hr/>
Operating Cash Disbursements:		
Testing and Licenses	2,235	1,450
Maintenance and Chemicals	1,804	1,000
Office Supplies and Materials	2,070	2,623
Purchased Water	30,402	26,517
	<hr/>	<hr/>
Total Operating Cash Disbursements	36,511	31,590
	<hr/>	<hr/>
Operating Income/(Loss)	93,927	102,829
	<hr/>	<hr/>
Non-Operating Cash Receipts:		
Intergovernmental Revenues	43,800	189,600
Proceeds from Sale of Public Debt:		
Bond Proceeds		814,000
Security Deposits	800	1,950
Interest	6,490	3,527
Other Non-Operating Revenues	1,212	
	<hr/>	<hr/>
Total Non-Operating Cash Receipts	52,302	1,009,077
	<hr/>	<hr/>
Non-Operating Cash Disbursements:		
Contract Services	10,880	18,396
Insurance	1,176	1,002
Utilities	2,427	2,276
Personal Services	36,711	31,129
Construction		134,425
Engineering Fees	2,388	9,966
Debt Service		
Principal		814,000
Interest	33,920	58,582
Refund of Security Deposits	600	500
Other Non-Operating Cash Disbursements	1,051	2,178
	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	89,153	1,072,454
	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	57,076	39,452
	<hr/>	<hr/>
Cash Balance, January 1	148,032	108,580
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Cash Balance, December 31	<u><u>\$205,108</u></u>	<u><u>\$148,032</u></u>

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

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**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Noble County Water Authority, Noble County (the Water Authority), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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. The Water Authority includes 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 Water Authority's management believes this financial statement presents all activities for which the Water Authority is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and 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.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Certificates of deposit are valued at cost

D. Budgetary Process

The Ohio Revised Code requires the Water Authority to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations and appropriations may not exceed estimated resources. 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.

3. Encumbrances

The Ohio Revised Code requires the Water Authority to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Water Authority did not use the encumbrance method of accounting.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$109,776	\$35,325
Certificates of deposit	95,332	112,707
Total deposits	\$205,108	\$148,032

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

Budgeted vs. Actual Receipts		
	2002	2001
Budgeted Receipts	\$145,000	\$139,400
Actual Receipts	182,740	1,143,496
Variance	\$37,740	\$1,004,096

Budgeted vs. Actual Budgetary Basis Expenditures		
	2002	2001
Budgeted Expenditures	\$141,688	\$138,838
Actual Expenditures	125,664	1,104,044
Variance	\$16,024	(\$965,206)

The Water Authority had expenditures which exceeded appropriations during 2001, contrary to Ohio Rev. Code Section 5705.41(B). Also, the Water Authority did not obtain prior certification for obligations during 2002 and 2001, contrary to Ohio Rev. Code Section 5705.41(D).

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002 AND 2001
(Continued)**

4. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$814,000	4.50%

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

Year ending December 31:	Mortgage Revenue Bonds
2003	\$36,630
2004	45,630
2005	46,225
2006	45,775
2007	46,325
2008-2012	228,930
2013-2017	226,485
2018-2022	222,935
2023-2027	221,100
2028-2032	220,225
2033-2037	221,140
2038-2041	176,135
Total	\$1,737,535

The Water Authority failed to create debt service reserve accounts as required by Section 10 of the Bond Resolution passed by the Board of Trustees on September 24, 2001.

5. RETIREMENT SYSTEMS

The Water 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 postretirement 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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Water Authority contributed an amount equal to 13.55% of participants' gross salaries. The Water Authority has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Water Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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 statement of Noble County Water Authority, Noble County, Ohio (the Water Authority) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated October 10, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Water Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001, 2002-002 and 2002-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Water Authority in a separate letter dated October 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Water Authority in a separate letter dated October 10, 2003.

Noble County Water Authority
Noble County
Independent Accountants' Report on Compliance and on Internal Controls
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 10, 2003

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires no subdivision or taxing authority to expend money unless it has been properly appropriated.

The Water Authority had expenditures in excess of appropriations at the legal level of control in the amount of \$965,206 for 2001.

We recommend the Clerk deny payment for expenditure requests exceeding appropriations. The Clerk may request the Board to approve increased expenditures levels by increasing appropriations and estimated resources, if necessary.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time of completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1000 (which was increased to \$3,000 on April 07, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

None of the transactions tested for 2001 and 2002 included prior certification of the Clerk, nor was there any evidence of a “Then and Now” certificate being used by the Clerk.

We recommend the Water Authority obtain the Clerk’s prior certification for all disbursements.

**NOBLE COUNTY WATER AUTHORITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-003

Noncompliance Citation

Bond Resolution to set-up accounts and funds

The Board of Trustees passed a Bond Resolution on September 24, 2001 to authorize the issuance of \$814,000 Water Resource Project Revenue Bonds. Within Section 10 of the Resolution, the secretary is directed to create funds and accounts into which the revenue and income shall be maintained, in the name of the Water Authority, in a bank deposit account separate and distinct from all other funds of the Water Authority, so long as any bond remains unpaid.

The Water Authority did not create the funds and accounts as required by the Bond Resolution. The Water Authority has maintained only one operating account.

We recommend the Water Authority follow the requirements of Section 10 of the Bond Resolution and establish the following; Bond Payment Account, Revenue Account, Reserve Account and a Surplus Fund. The Water Authority should follow the requirements under Section 10 in allocating money to each account and fund. In addition, the Water Authority should follow the provisions in Section 11 when making disbursements from the accounts and fund.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 13, 2003**