

**YORK TOWNSHIP WATER AUTHORITY
POWHATAN POINT, OHIO**

**AUDIT REPORT
DECEMBER 31, 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
York Township Water Authority
54775 Mt. Victory Road
Powhatan Point, Ohio 43942

We have reviewed the *Independent Auditors' Report* of the York Township Water Authority, Belmont County, prepared by S.R. Snodgrass, 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 Auditors' 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 Auditors' 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 York Township Water Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 19, 2007

This Page is Intentionally Left Blank.

**YORK TOWNSHIP WATER AUTHORITY
DECEMBER 31, 2006**

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of Cash Receipts, Cash Disbursements, and Changes in Cash Balances	5
Notes to the Financial Statements	6 - 10
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11 - 12



INDEPENDENT AUDITORS' REPORT

Board of Trustees
York Township Water Authority
Powhatan Point, Ohio

We have audited the statements of cash receipts, cash disbursements, and changes in cash balances of York Township Water Authority, Belmont County (the Water Authority) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Water Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 statement is 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 audits provide a reasonable basis for our opinion.

As described in Note 1, the Water Authority prepares its 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Water Authority to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present statements and also to present its larger (i.e., major) funds separately for 2006 and 2005. While the Water Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Water Authority has elected not to reformat its statements. Since the Water 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 matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the York Township Water Authority, as of December 31, 2006 and 2005, or its changes in financial position or its cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash fund balance of the York Township Water Authority as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Water Authority to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Water 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 27, 2007, 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 grant agreements and other matters. 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* and should be read in conjunction with this report in assessing the results of our audits.

S. N. Goodman, A.C.

Wheeling, West Virginia
June 27, 2007

**YORK TOWNSHIP WATER AUTHORITY
STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
OPERATING CASH RECEIPTS		
Charges for services	<u>\$ 93,754</u>	<u>\$ 95,606</u>
OPERATING CASH DISBURSEMENTS		
Personal services	17,628	14,989
Repairs and maintenance	5,599	14,959
Testing and licenses	1,158	1,100
Water purchases	23,723	38,231
Office supplies and materials	1,474	1,036
Insurance	1,256	1,768
Miscellaneous	1,157	5,450
FEMA projects	<u>-</u>	<u>14,870</u>
Total operating cash disbursements	<u>51,995</u>	<u>92,403</u>
Operating income	<u>41,759</u>	<u>3,203</u>
NON-OPERATING CASH RECEIPTS		
Other non-operating revenues	107	149
Loans and grants	<u>-</u>	<u>1,753</u>
Total non-operating cash receipts	<u>107</u>	<u>1,902</u>
NON-OPERATING CASH DISBURSEMENTS		
Debt service	<u>9,971</u>	<u>34,864</u>
Net receipts over disbursements	31,895	(29,759)
CASH BALANCES, JANUARY 1	<u>19,128</u>	<u>48,887</u>
CASH BALANCES, DECEMBER 31	<u><u>\$ 51,023</u></u>	<u><u>\$ 19,128</u></u>

The accompanying notes are an integral part of these financial statements.

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The York Township Water Authority, Belmont 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 is directed by a five member Board of Trustees appointed by the Belmont County Common Pleas Court Judge. The Water Authority provides water utility services to the residents of York Township, Belmont County.

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

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 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.

The statements include adequate disclosure of material matters as prescribed or permitted by the Auditor of State.

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 at the function 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Water Authority to reserve (encumber) appropriations when commitments are made. The Water Authority did not encumber all commitments as required by Ohio Revised Code Sec. 5705.41(D).

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Estimated Resources

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

5. Encumbrances

The Ohio Revised Code requires the Water Authority to reserve (encumber) appropriations when commitments are made. The Water Authority did not encumber all commitments as required by Ohio Revised Code Sec. 5705.41(D).

A summary of the budgetary activity for 2006 and 2005 is included in Note 3.

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 statements.

NOTE 2 - CASH

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

	2006	2005
Demand deposits	\$ 51,023	\$ 19,128

As of December 31, 2006 and 2005, deposits were fully insured by the Federal Deposit Insurance Corporation.

NOTE 3 – BUDGETARY ACTIVITY

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

	<u>Budgeted vs. Actual Receipts</u>	
<u>Fund Type</u>	2006	2005
Budgeted receipts	\$ 98,050	\$ 96,000
Actual receipts	95,528	99,891
Variance	\$ 2,522	\$ 3,891

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 3 – BUDGETARY ACTIVITY (CONTINUED)

Budgeted vs. Actual Expenditures

<u>Fund Type</u>	<u>2006</u>	<u>2005</u>
Appropriation authority	\$ 87,445	\$ 80,000
Actual expenditures	<u>54,678</u>	<u>127,233</u>
Variance	<u>\$ 32,767</u>	<u>\$ (47,233)</u>

Contrary to Ohio law, budgetary expenditures exceeded the Water Authority's appropriation authority by \$47,233 for the year ended December 31, 2005.

NOTE 4 - DEBT

Debt outstanding at December 31, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First National Bank of Powhatan	\$ 3,621	5.34%

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

<u>Year Ending December 31</u>	<u>Bank Loan</u>
2007	\$ 2,292
2008	<u>1,910</u>
Total	<u>\$ 4,202</u>

**YORK TOWNSHIP WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 5 – COMMITMENTS AND CONCENTRATIONS

The Water Authority has entered into a Water Purchase Contract with the Village of Powhatan Point, Ohio. The contract provides that the Village will deliver water to the Water Authority.

The term of the contract is 20 years from January 1, 2000, until January 1, 2020. The rates to be paid for the water delivered are as follows:

01/01/05 to 12/31/09	\$ 3.35 per 1,000 gallons
01/01/10 to 12/31/14	3.90 per 1,000 gallons
01/01/15 to 12/31/19	4.50 per 1,000 gallons

For the years ended December 31, 2006 and 2005, the Water Authority purchased 100 percent of its water from the Village of Powhatan Point, Ohio at a rate of \$3.35 per 1,000 gallons.

NOTE 6 - RETIREMENT SYSTEM

The Water Authority's full-time 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, PERS members contributed 9.0 percent of their gross salaries, and for 2005, PERS members contributed 8.5 percent of their gross salaries. The Water Authority contributed an amount equal to 13.7 percent of participants' gross salaries for 2006 and an amount equal to 13.55 percent of participant's gross salaries for 2005. The Water Authority has paid all contributions required through December 31, 2006.

NOTE 7 - RISK MANAGEMENT

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

- Comprehensive property and general liability;

The Water Authority is uninsured for the following risks:

- Vehicles
- Errors and omissions.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
York Township Water Authority
Powhatan Point, Ohio

We have audited the accompanying financial statements of York Township Water Authority, Belmont County, Ohio (the "Water Authority"), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 27, 2007. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered The Water Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water 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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be, and should not be, used by anyone other than these specified parties.

S. R. Hodgson, A. C.

Wheeling, West Virginia
June 27, 2007



Mary Taylor, CPA
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
JULY 31, 2007**