



**WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Warren Regional Water and Sewer District  
Jefferson County  
242 Eileen Street  
Rayland, Ohio 43943

To the Board of Trustees:

We have audited the accompanying financial statements of Warren Regional Water and Sewer District (the District) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the District'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 *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 District prepares its financial statements 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 statements referred to above present fairly, in all material respects, the combined fund cash of Warren Regional Water and Sewer District as of December 31, 2001 and December 31, 2000, and its combined 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 February 8, 2002 on our consideration of the District'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.

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.

**Jim Petro**  
Auditor of State

February 8, 2002

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**WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

|                                          | <b>2001</b>      | <b>2000</b>      |
|------------------------------------------|------------------|------------------|
| <b>Operating Cash Receipts:</b>          |                  |                  |
| Charges for Services                     | \$88,770         | \$77,062         |
| Total Operating Cash Receipts            | 88,770           | 77,062           |
| <b>Operating Cash Disbursements:</b>     |                  |                  |
| Personal Services                        | 11,803           | 10,923           |
| Utilities                                | 33,847           | 32,550           |
| Repairs and Maintenance                  | 9,680            | 19,808           |
| Testing and Licences                     | 1,373            | 2,265            |
| Other Contractual Services               | 12,734           | 10,395           |
| Chemicals and Operating Supplies         | 950              | 194              |
| Office Supplies and Materials            | 4,587            | 1,706            |
| Insurance                                | 5,990            | 4,853            |
| Total Operating Cash Disbursements       | 80,964           | 82,694           |
| Operating Income/(Loss)                  | 7,806            | (5,632)          |
| <b>Non-Operating Cash Receipts:</b>      |                  |                  |
| Miscellaneous                            | 5,644            | 5,097            |
| Total Non-Operating Cash Receipts        | 5,644            | 5,097            |
| <b>Non-Operating Cash Disbursements:</b> |                  |                  |
| Debt Service                             | 20,731           | 11,237           |
| Total Non-Operating Cash Disbursements   | 20,731           | 11,237           |
| Net Receipts Over/(Under) Disbursements  | (7,281)          | (11,772)         |
| Cash Balances, January 1                 | 138,496          | 150,268          |
| <b>Cash Balances, December 31</b>        | <b>\$131,215</b> | <b>\$138,496</b> |

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

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**WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Warren Regional Water and Sewer District, Jefferson County, (the District) 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 District is directed by an appointed three member Board of Trustees. Board members are appointed for lifetime terms by a County Judge. The District serves Warren Township, Jefferson County and Pease Township, Belmont County. The District provides water and sewer services to residents of the District.

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

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

**C. Deposits and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District had the following significant Enterprise Funds:

*Water Fund*- This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund*- This fund receives charges for services from residents to cover the cost of providing this utility.

**WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. The District did not establish appropriations for 2000 or 2001.

**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 District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The District invests in certificates of deposit.

The District maintains a cash and investment pool used by all funds. The carrying amount of cash and investments at December 31 was as follows:

|                                | 2001      | 2000      |
|--------------------------------|-----------|-----------|
| Demand deposits                | \$33,652  | \$40,933  |
| Certificates of deposit        | 97,563    | 97,563    |
| Total deposits and investments | \$131,215 | \$138,496 |

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the District.

**WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

| Budgeted vs. Actual Receipts |          |          |
|------------------------------|----------|----------|
|                              | 2001     | 2000     |
| Budgeted Receipts            | \$82,160 | \$60,000 |
| Actual Receipts              | 94,414   | 82,159   |
| Variance                     | \$12,254 | \$22,159 |

| Budgeted vs. Actual Budgetary Basis Expenditures |             |            |
|--------------------------------------------------|-------------|------------|
|                                                  | 2001        | 2000       |
| Appropriation Authority                          | \$0         | \$0        |
| Budgetary Expenditures                           | 101,695     | 93,931     |
| Variance                                         | (\$101,695) | (\$93,931) |

Contrary to Ohio Revised Code § 5705.38, the District did not pass an appropriations measure for 2000 or 2001. As a result of this, the District was in violation of Ohio Revised Code § 5705.41(B) for expenditures exceeding appropriations.

**4. DEBT**

Debt outstanding at December 31, 2001 was as follows:

|                         | Principal | Interest Rate |
|-------------------------|-----------|---------------|
| General Obligation Note | \$10,000  | 5.43%         |
| Total                   | \$10,000  |               |

The proceeds of the general obligation note were used to replace various equipment. The note is collateralized by a certificate of deposit held by the District.

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

| Year ending<br>December 31: | Equipment<br>Note |
|-----------------------------|-------------------|
| 2002                        | \$10,543          |
| Total                       | \$10,543          |

**WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. RETIREMENT SYSTEM**

The District'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 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000. The District has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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



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

Warren Regional Water and Sewer District  
Jefferson County  
242 Eileen Street  
Rayland, Ohio 43943

To the Board of Trustees:

We have audited the accompanying financial statements of Warren Regional Water and Sewer District (the District) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated February 8, 2002. 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 District's financial statements are 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* and which are described in the accompanying schedule of findings as items 2001-61241-001 and 2001-61241-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 8, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 8, 2002.

Warren Regional Water and Sewer District  
Jefferson County  
Report of Independent Accountants on Compliance and on  
Internal Control 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.

**Jim Petro**  
Auditor of State

February 8, 2002

WARREN REGIONAL WATER AND SEWER DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-61241-001

**Ohio Revised Code § 5705.38** requires that on or about the first day of each fiscal year, an appropriation measure be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based on the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The District did not pass an appropriation measure for 2000 or 2001. As noted in finding 2001-61241-002, expenditures are limited by the appropriations established for each fund, all expenditures made by the District for 2000 and 2001 were not in compliance with the Ohio Revised Code.

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The District should pass an appropriations measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained.

FINDING NUMBER 2001-61241-002

**Ohio Revised Code § 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

As noted in finding 2001-61241-001, the District did not pass an annual appropriations measure for 2000 or 2001. Therefore, all expenditures made by the District during both years exceeded appropriations.

Failure to limit expenditures to appropriated levels could result in overspending and/or deficit balances. The District should pass all necessary budgetary measures and monitor the amounts to assure compliance with budgetary requirements.







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**WARREN REGIONAL WATER AND SEWER DISTRICT**

**JEFFERSON 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  
MARCH 14, 2002**