



OHIO AUDITOR OF STATE  
**KEITH FABER**





WARREN WATER AUTHORITY  
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended December 31, 2021.....	5
Notes to the Financial Statements For the Year Ended December 31, 2021 .....	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended December 31, 2020.....	11
Notes to the Financial Statements For the Year Ended December 31, 2020 .....	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	25

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**INDEPENDENT AUDITOR'S REPORT**

Warren Water Authority  
Jefferson County  
P.O. Box 106  
Rayland, Ohio 43943

To the Board of Trustees:

***Report on the Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Warren Water Authority, Jefferson County, Ohio (the Authority), which comprises the cash balances, receipts and disbursements for the proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority, as of December 31, 2021 and 2020, or the changes in financial position thereof for the years then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the financial statements are prepared by the Authority on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Emphasis of Matter***

As discussed Note 10 to the 2021 and 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding these matters.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 12, 2022

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**Warren Water Authority**  
*Jefferson County*  
**Combined Statement of Receipts, Disbursements**  
*And Changes in Fund Balance (Regulatory Cash Basis)*  
**For the Year Ended December 31, 2021**

<b>Operating Cash Receipts</b>	
Charges for Services	\$163,003
<hr/>	
<i>Total Operating Cash Receipts</i>	<u>163,003</u>
 <b>Operating Cash Disbursements</b>	
Personal Services	38,871
Utilities	9,602
Repairs and Maintenance	23,703
Testing and Licenses	1,963
Other Contractual Services	550
Water and Sewage Cost	76,020
Office Supplies and Materials	5,214
Insurance	3,519
Rent	836
<hr/>	
<i>Total Operating Cash Disbursements</i>	<u>160,278</u>
 <i>Operating Income/(Loss)</i>	 <u>2,725</u>
 <b>Non-Operating Cash Disbursements</b>	
Principal Retirement	12,608
Interest And Fiscal Charges	2,700
<hr/>	
<i>Total Non-Operating Cash Disbursements</i>	<u>15,308</u>
 <i>Net Receipts Over/(Under) Disbursements</i>	 <u>(12,583)</u>
 Cash Balances, January 1	 <u>37,576</u>
 <i>Cash Balances, December 31</i>	 <u><u>\$24,993</u></u>

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

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 – Reporting Entity**

The Warren Water Authority (the Authority), Jefferson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a three-member Board of Trustees. Board members are appointed to a lifetime term by the Jefferson County Judge. Subdivisions within the Authority are Warren Township, Jefferson County and Pease Township, Belmont County. The Authority provides water and sewer services to residents of the Authority.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Authority's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Authority must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Authority did not use the encumbrance method of accounting.

A summary of 2021 budgetary activity appears in Note 4.

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

***Capital Assets***

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Note 3 – Compliance**

Contrary to Ohio law, the Authority failed to adopt an operating budget and appropriation resolution in 2021. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2021.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$163,003	(\$163,003)
\$0	\$163,003	(\$163,003)

  

2021 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$175,586	(\$175,586)
\$0	\$175,586	(\$175,586)

**Note 5 – Deposits and Investments**

The Authority maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 5 – Deposits and Investments (Continued)**

	2021
Demand deposits	<u>\$13,140</u>
Certificates of deposit	<u>11,853</u>
Total deposits	<u><u>24,993</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Authority has obtained commercial insurance for the following risks:

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Authority employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2021.

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2021.

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 9 – Debt**

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
OWDA Water System Expansion	\$92,872	2.00%
Total	\$92,872	

The Ohio Water Development Authority (OWDA) loan relates to the water system expansion. The Authority financed \$300,009 on January 1, 2004, and has a maturity date of July 1, 2028. The loan is collateralized by utility receipts.

***Amortization***

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

Year Ending December 31:	OWDA
2022	\$15,308
2023	15,308
2024	15,308
2025	15,308
2026	15,308
2027-2028	22,962
Total	\$99,502

**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Authority did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. The impact on the Authority’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**Warren Water Authority**  
*Jefferson County*  
**Combined Statement of Receipts, Disbursements**  
**And Changes in Fund Balance (Regulatory Cash Basis)**  
**For the Year Ended December 31, 2020**

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<b>Operating Cash Receipts</b>	
Charges for Services	\$132,022
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>132,022</i>
	<hr/>
<b>Operating Cash Disbursements</b>	
Personal Services	37,555
Utilities	8,849
Repairs and Maintenance	7,348
Testing and Licenses	2,155
Other Contractual Services	5,784
Water and Sewage Cost	47,484
Office Supplies and Materials	3,546
Insurance	3,706
Rent	836
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>117,263</i>
	<hr/>
<i>Operating Income/(Loss)</i>	<i>14,759</i>
	<hr/>
<b>Non-Operating Cash Disbursements</b>	
Principal Retirement	12,608
Interest And Fiscal Charges	2,700
	<hr/>
<i>Total Non-Operating Cash Disbursements</i>	<i>15,308</i>
	<hr/>
<i>Net Receipts Over/(Under) Disbursements</i>	<i>(549)</i>
	<hr/>
Cash Balances, January 1	38,125
	<hr/>
<i>Cash Balances, December 31</i>	<i>\$37,576</i>
	<hr/> <hr/>

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

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 – Reporting Entity**

The Warren Water Authority (the Authority), Jefferson County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a three-member Board of Trustees. Board members are appointed to a lifetime term by the Jefferson County Judge. Subdivisions within the Authority are Warren Township, Jefferson County and Pease Township, Belmont County. The Authority provides water and sewer services to residents of the Authority.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Authority's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board of Trustees recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Authority must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Authority did not use the encumbrance method of accounting.

A summary of 2020 budgetary activity appears in Note 4.



**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

***Capital Assets***

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Note 3 – Compliance**

Contrary to Ohio law, the Authority failed to adopt an operating budget and appropriation resolution in 2020. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds for the year ended December 31, 2020.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$132,022	(\$132,022)
\$0	\$132,022	(\$132,022)

  

2020 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$132,571	(\$132,571)
\$0	\$132,571	(\$132,571)

**Note 5 – Deposits and Investments**

The Authority maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 5 – Deposits and Investments (Continued)**

	2020
Demand deposits	<u>\$25,737</u>
Certificates of deposit	<u>11,840</u>
Total deposits	<u><u>37,576</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Commercial Insurance***

The Authority has obtained commercial insurance for the following risks:

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

All Authority employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the District contributed an amount equaling 14 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2020.

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2020.

**Warren Water Authority**  
*Jefferson County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 9 – Debt**

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
OWDA Water System Expansion	\$106,124	2.00%
Total	\$106,124	

The Ohio Water Development Authority (OWDA) loan relates to the water system expansion. The Authority financed \$300,009 on January 1, 2004, and has a maturity date of July 1, 2028. The loan is collateralized by utility receipts.

***Amortization***

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

Year Ending December 31:	OWDA
2021	\$15,308
2022	15,308
2023	15,308
2024	15,308
2025	15,308
2026-2028	38,270
Total	\$114,810

**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2020, the Authority did not receive COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Warren Water Authority  
Jefferson County  
PO Box 106  
Rayland, Ohio 43943

To the Board of Trustees:

We have audited, in accordance the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for the proprietary fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Warren Water Authority, Jefferson County, (the Authority) and have issued our report thereon dated December 12, 2022, wherein we noted the Authority followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Authority.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. 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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2021-003 through 2021-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item 2021-006 to be a significant deficiency.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-001 through 2021-003.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 12, 2022

**WARREN WATER AUTHORITY  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

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

**FINDING NUMBER 2021-001**

**Noncompliance**

**Expenditures Exceeding Appropriations**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, all of the Authority's funds had expenditures in excess of appropriations as of December 31, 2021 and 2020. This is the result of the Authority failing to adopt a budget in 2021 and 2020.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**FINDING NUMBER 2021-002**

**Noncompliance**

**Annual Appropriation Measure**

**Ohio Revised Code § 5705.38** requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed.

The Authority did not adopt an appropriation measure for 2021 or 2020 causing 100% of the disbursements to exceed appropriations. This is the result of the Authority not reviewing the above Revised Code Section. Failure to pass an appropriation measure, which serves as a tool by which disbursements can be monitored, could result in overspending and negative cash balances.

The Authority should pass an appropriation measure as required so disbursements can be monitored and to help ensure compliance with the Ohio Revised Code.

### FINDING NUMBER 2021-003

#### Noncompliance and Material Weakness

##### Adoption of Tax Budget

**Ohio Rev. Code § 5705.28(B)(2)** provides, in part, for taxing units that do not levy a tax that on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget consisting of estimated receipts, expenses and debt charges for the ensuing fiscal year. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

The Authority did not adopt an operating budget including the items above for 2021 or 2020. The Authority did not have procedures in place to help ensure budgetary compliance. Failure to follow sound budgetary practices could result in overspending and could cause a weakness in accountability, fiscal integrity, negative cash fund balances and proper reporting.

To help improve control over budgetary procedures, the Authority should create an operating budget with the required elements describe above, ensure the ledgers include budgeted and actual information and maintain the budget and supporting documentation for audit. Implementation of sound budgetary practices may help ensure the Authority is in compliance with the Ohio Rev. Code requirements and may help the Board monitor the fiscal integrity of the Authority.

### FINDING NUMBER 2021-004

#### Material Weakness

##### System of Internal Controls

**Ohio Admin. Code § 117-2-01(A)** provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal Control" is defined as a process effected by the Authority's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting;
- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

Internal control consists of several components, one of which is monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions.

Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.



**FINDING NUMBER 2021-004 (Continued)**

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

Lack of effective monitoring controls could lead to theft of Authority funds, expenditure of funds contrary to the directive affecting the monthly bank versus book reconciliations.

The Authority has the following deficiencies related to their system of internal controls:

- No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the expenditures. In 2021 and 2020 checks were only signed by the Treasurer. The checks only being signed by one person in conjunction with the lack of board monitoring and segregation of duties could lead to unallowable expenditures and increase the risk of theft/fraud;
- No evidence that an adequate segregation of duties exists;
- The Board did not consistently review and approve expenditures prior to being made to ensure they were accurately recorded, necessary and for a public proper purpose;
- No evidence of the Board's consistent review of bank reconciliations;
- No evidence of consistent monitoring by the Board over monthly and audited financial statements and revenue and expenditure reports; and
- No evidence of implementing budgetary compliance requirements applicable to the Authority.

The Authority should improve internal controls over reporting by implementing the following:

- Receive board approval on all payments prior to being made;
- Receipts and disbursements should be reconciled to the bank deposits, customer ledgers, and financial ledgers on a monthly basis. Supporting documentation should be available for each figure on the reconciliation;
- Present monthly bank reconciliations and financial reports with receipts and disbursements to the Board for their review, with approval being documented in the minutes. When a monthly Board meeting is not held, such reports should be reviewed and signed by Board members as an indication of their review; and
- Adopting a budget and board members periodically comparing the budget amounts with actual amounts. All budgetary actions should be documented and approved in the Board minutes.

**FINDING NUMBER 2021-005**

**Material Weakness**

**Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Fiscal Officer did not abide by the adopted chart of accounts in coding and classifying various transactions. This resulted in adjustments and reclassifications to the filed financial statements. The Authority Fiscal Officer and management have agreed to and posted the adjustments to the Authority's accounting records. The corrected amounts are reflected in the accompanying financial statements.

**2021 Adjustments:**

<b>Funds Adjusted:</b>	<b>Amount</b>	<b>Explanation:</b>
Water and Sewer	\$253	To adjust the financial statements to agree bank and book balances.
	1,502	To adjust payroll/personnel services, electric/utilities, and office supplies disbursements so the financial statements agreed to the accounting ledger.
	9,363	To adjust charges for services receipts which were not included on the financial statements.

**2020 Adjustments:**

<b>Funds Adjusted:</b>	<b>Amount</b>	<b>Explanation:</b>
Water and Sewer	\$110	To adjust the financial statements to agree bank and book balances.
	1,726	To adjust payroll/personnel services, electric/utilities, and office supplies disbursements so the financial statements agreed to the accounting ledger.
	9,480	To adjust charges for services receipts which were not included on the financial statements.

Other mispostings were identified, however were not material and the Authority decided not to make the adjustments.

**FINDING NUMBER 2021-005 (Continued)**

Errors identified in the filed Financial Statement Notes include:

- Within the Summary of Significant Accounting Policies note, the Authority did not include the most current information;
- The Budgetary note did not include accurate figures;
- The Deposits and Investments note did not include the proper information;
- The Defined Benefits Pension Plan note was included, however, did not include all of the information within the shell;
- The Postemployment Benefits note was not included;
- The Risk Management note was not complete;
- The Debt note was not included; and
- The COVID-19 note was not included.

The Authority did not have procedures in place to record transactions properly or procedures in place to include updated disclosures.

Failure to consistently follow a uniform chart of accounts increases the possibility the Authority will not be able to identify, assemble, 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, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure that financial activity of the Authority is accurately recorded and reported. In addition, the Authority should review the financial statements and notes prior to report submission and ensure the most current version of the notes are used, which can be located on the Auditor of State's website under Reference Materials.

**FINDING NUMBER 2021-006**

**Significant Deficiency**

**Cash Reconciliation and Process Errors**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.

**FINDING NUMBER 2021-006 (Continued)**

Furthermore, Auditor of State, Management Advisory Services (MAS) Bulletin 91-11 addresses the accounting procedures to follow regarding outstanding, stale dated checks issued by governmental entities. Section 9.39 of the Ohio Rev. Code provides that unclaimed money shall be deposited to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the General fund of the Public Office.

Testing over the Authority's bank reconciliations identified the following:

- The Authority's bank balance exceeded the book balance in the amounts of \$253 and \$110 as of December 31, 2021 and 2020, respectively;
- The Authority's ledger did not include the audited ending balance as of December 31, 2019, which led to variances between the bank balances and the ledger balance of \$6,264 and \$6,066 as of December 31, 2021 and 2020, respectively; and
- The Authority's outstanding check register as of December 31, 2021 and 2020 included seven and four checks totaling \$169 and \$83, respectively, that were outstanding longer than one year.

The Authority has agreed to adjust the book balances for the reconciliation differences.

Failure to reconcile monthly increases the possibility that the Authority will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. Finally, the outstanding checks may result in a cumbersome or incorrect reconciliation.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the review. Finally, the Authority should implement policies and procedures which include reviewing the outstanding check lists for any stale dated checks and then place these checks in an unclaimed money fund as provided for in MAS Bulletin 91-11.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

WARREN WATER AUTHORITY  
P.O. BOX 106  
RAYLAND, OHIO 43943  
PRESIDENT: RICHARD COUP  
VICE-PRESIDENT: MATTHEW ADAMSKY  
SECRETARY/TREASURER: JOHN S. ORIZCZAK

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2021 AND 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2011-004	Ohio Revised Code Section 5705.28(B)(2) - Adoption of Tax Budget	Not Corrected	
2017-002	Ohio Revised Code Section 145.47(B) – Remittance of Withholdings	Not Corrected	
2001-61241-001	Ohio Revised Code Section 5705.38 – Annual Appropriations	Not Corrected	
2015-003	Ohio Revised Code Section 9.38 – Deposits of Public Money	Not Corrected	
2015-001	Cash Reconciliation and Financial Statement Adjustments	Not Corrected	
2009-003	System of Internal Controls	Not Corrected	
2011-001	Accounting System and Accounting Records	Corrected	

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# OHIO AUDITOR OF STATE KEITH FABER



**WARREN WATER AUTHORITY**

**JEFFERSON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 1/10/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)