

***TUPPERS PLAINS-CHESTER WATER DISTRICT  
MEIGS COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Tuppers Plains-Chester Water District  
39561 Bar 30 Road  
Reedsville, Ohio 45772

We have reviewed the *Report of Independent Accountants* of the Tuppers Plains-Chester Water District, Meigs County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Tuppers Plains-Chester Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 13, 2006

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**TUPPERS PLAINS-CHESTER WATER DISTRICT  
MEIGS COUNTY  
For the Years Ending December 31, 2004 and 2003**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Trustees  
Tuppers Plains-Chester Water District  
39561 Bar 30 Road  
Reedsville, Ohio

We have audited the accompanying financial statements of Tuppers Plains-Chester Water District, Meigs County, Ohio (District) as and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since the District 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 matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Tuppers Plains-Chester Water District, Meigs County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. The District 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 October 1, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
October 1, 2005



TUPPERS PLAINS-CHESTER WATER DISTRICT  
MEIGS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Enterprise
Operating Receipts:	
Water Sales	\$ 1,557,022
Intergovernmental	257,690
Customer Sales	138,927
Miscellaneous	8,026
Total Operating Cash Receipts	1,961,665
Operating Cash Disbursements	
General Expenses	642,874
Mobile Equipment	53,827
Treatment Plant	252,561
Distribution System	133,092
Office Expense	61,785
Insurance	39,020
Professional Expense	9,107
Refunds	6,108
Capital Outlay	240,224
Total Operating Cash Disbursements	1,438,598
Operating Income	523,067
Other Financing Receipts and Disbursements	
Interest Income	52,933
Principal Debt Payments	(160,313)
Interest Expense	(122,234)
Total Other Financing Receipts and Disbursements	(229,614)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	293,453
Fund cash balances January 1, 2004	1,374,499
Fund cash balances December 31, 2004	\$ 1,667,952

See accompanying notes to financial statements

TUPPERS PLAINS-CHESTER WATER DISTRICT  
 MEIGS COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES - PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Receipts:	
Water Sales	\$ 1,502,662
Intergovernmental	28,635
Customer Sales	97,071
Miscellaneous	7,196
Total Operating Cash Receipts	1,635,564
Operating Cash Disbursements	
General Expenses	566,474
Mobile Equipment	37,276
Treatment Plant	171,475
Distribution System	131,846
Office Expense	51,390
Insurance	22,432
Professional Expense	17,082
Refunds	7,058
Miscellaneous	9,913
Capital Outlay	553,883
Total Operating Cash Disbursements	1,568,829
Operating Income	66,735
Other Financing Receipts and Disbursements	
Interest Income	46,895
Principal Debt Payments	(83,648)
Interest Expense	(118,778)
Total Other Financing Receipts and Disbursements	(155,531)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(88,796)
Fund cash balances January 1, 2003	1,463,295
Fund cash balances December 31, 2003	\$ 1,374,499

See accompanying notes to financial statements

**TUPPERS PLAINS-CHESTER WATER DISTRICT**  
**MEIGS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ending December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Tuppers Plains-Chester Water District, Meigs County (the District) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees whose membership is composed of trustees elected every three years by water service customers whose accounts are in good standing. The membership elects a president, vice president, and a secretary-treasurer, who are responsible for fiscal control of the resources of the District. The District was established to provide water services to the 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

The District prepares its financial statements following 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. DEPOSITS AND INVESTMENTS

Investments are reported as assets. 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 deposits, repurchase agreement, sweep account, and federal agency instruments are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**TUPPERS PLAINS-CHESTER WATER DISTRICT**  
**MEIGS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ending December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING

The District uses funds to report on its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

The District uses a proprietary fund type (enterprise fund) to account for ongoing activities that are similar to those found in the private sector. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where intent is the costs (disbursements) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

E. BUDGETARY PROCESS

Annually, the District adopts an operating budget. The District also adopts annual appropriations which are limited by estimated resources.

A summary of 2004 and 2003 budgetary activity appears in Note 4.

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.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**TUPPERS PLAINS-CHESTER WATER DISTRICT  
MEIGS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ending December 31, 2004 and 2003**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (continued)

	2004	2003
Demand deposits	\$ 363,939	\$ 342,101
Certificates of deposit	1,304,013	1,032,398
Total deposits	\$1,667,952	\$1,374,499

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

3. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees. For local government employer units the rate was 13.55% of covered payroll. The District has paid all contributions required through December 31, 2004

4. BUDGETARY ACTIVITY

Fund Type	2004 Budgeted vs. Actual Receipts		Variance
	Budgeted Receipts	Actual Receipts	
General	\$1,659,280	\$ 2,014,598	\$ 355,318

Fund Type	2004 Budgeted vs. Actual Budgetary Basis Expenditures		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$1,651,091	\$ 1,721,145	\$ (70,054)

**TUPPERS PLAINS-CHESTER WATER DISTRICT**  
**MEIGS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ending December 31, 2004 and 2003**

4. BUDGETARY ACTIVITY – (Continued)

Fund Type	<u>2003 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$1,751,257	\$ 1,682,459	\$ (68,798)

Fund Type	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$1,696,074	\$ 1,771,255	\$ (75,181)

5. DEBT

Debt outstanding at December 31, 2004 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Loan #91-06	\$ 282,000	5.875%
USDA Loan #91-11	1,655,800	4.750%
Ohio Public Works Loan	272,548	4.000%
Total	\$ 2,210,348	

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

Year ending December 31:	USDA Loan #91-06	USDA Loan #91-11	Ohio Public Works Loan
2005	\$ 23,568	\$ 97,951	\$ 24,952
2006	23,156	97,934	24,952
2007	22,745	97,974	24,952
2008	23,334	97,867	24,952
2009	22,864	98,018	24,952
2010-2014	115,505	489,737	124,760
2015-2019	116,290	489,877	112,284
2020-2024	115,553	489,687	-0-
2025-2029	46,819	489,795	-0-
Subsequent	-0-	979,515	-0-
Total	\$ 509,834	\$ 3,428,356	\$ 361,804

**TUPPERS PLAINS-CHESTER WATER DISTRICT**  
**MEIGS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ending December 31, 2004 and 2003**

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

7. Contingent Liabilities/Subsequent Events

Management believes there are no pending claims or lawsuits.

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Tuppers Plains-Chester Water District  
Meigs County, Ohio

We have audited the financial statements of the Tuppers Plains-Chester Water District, Meigs County, Ohio (District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 1, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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, grant agreements, and other matters 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 1, 2005.



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

***Charles E. Harris and Associates, Inc.***

October 1, 2005

## STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit, for the years ending December 31, 2001 and 2002 reported no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

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**TUPPER PLAINS-CHESTER WATER DISTRICT**

**MEIGS 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  
FEBRUARY 23, 2006**