

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

AUDIT REPORT

JANUARY 1, 2010 – DECEMBER 31, 2011

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Board of Trustees
Maysville Regional Water District
6255 Maysville Pike
Zanesville, Ohio 43701

We have reviewed the *Independent Auditors' Report* of the Maysville Regional Water District, Muskingum County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Maysville Regional Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 30, 2012

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**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
Zanesville, Ohio 43701

We have audited the accompanying financial statements of the Maysville Regional Water District, Muskingum County as of and for the years ended December 31, 2011 and 2010. 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 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.

The basis of accounting prescribed by the Auditor of State requires the District to report outstanding encumbrances at year-end as budgetary expenditures. The District did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year-end.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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 paragraph, the financial statements referred to above for the years ending December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Maysville Regional Water District as of December 31, 2011 and 2010, and or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, except for such adjustments, if any, that would have been necessary to reflect year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Maysville Regional Water District, Muskingum County, as of December 31, 2011 and 2010, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, on our consideration of the Maysville Regional Water 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 the 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 13, 2012

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Operating Cash Receipts		
Charges for Services	\$ 1,051,352	\$ 1,041,728
Miscellaneous	17,365	30,792
Total Operating Cash Receipts	1,068,717	1,072,520
Operating Cash Disbursements		
Personal Services	343,784	339,574
Utilities	91,604	95,800
Repairs and Maintenance	44,952	41,032
Testing and Licenses	5,429	6,068
Other Contractual Services	35	2,972
Chemicals and Operating Supplies	143,627	128,770
Office Supplies and Materials	44,281	43,251
Insurance	105,967	91,833
Capital Outlay	574,827	125,798
Total Operating Cash Disbursements	1,354,506	875,098
Operating Income/(Loss)	(285,789)	197,422
Non-Operating Cash Receipts		
Debt Proceeds	499,758	-
Interest	6,606	5,187
Total Non-Operating Cash Receipts	506,364	5,187
Non-Operating Cash Disbursements		
Debt Service		
Principal	130,053	125,889
Interest	131,475	137,769
Other Non-Operating Cash Disbursements	6,742	3,747
Total Non-Operating Cash Disbursements	268,270	267,405
Net Receipts Over/(Under) Disbursements	(47,695)	(64,796)
Cash Balance - January 1	1,092,794	1,157,590
Cash Balance - December 31	\$ 1,045,099	\$ 1,092,794

See notes to financial statements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio established the rights and privileges for The Maysville Regional Water District (the District), as a body corporate and politic. The District is directed by an appointed five-member Board of Trustees. Board Members are appointed by the Common Pleas Court. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District serves all or parts of Springfield and Newton Townships in Muskingum County.

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 accounting basis the Auditor of State prescribes or permits. This basis which is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The District'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.

D. 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 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. Appropriations lapse at year-end.

Estimated Resources

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

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2011 and 2010 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in a money market account.

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

	2011	2010
Demand Deposits	\$ 542,165	\$ 590,607
Money Market	502,934	502,187
Demand Deposits	\$ 1,045,099	\$ 1,092,794

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 1,098,701	\$ 1,575,081	\$ 476,380

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,622,776	\$ 1,622,776	\$ -

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 1,088,701	\$ 1,077,707	\$ (10,994)

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,142,503	\$ 1,142,503	\$ -

Compliance and Accountability:

Contrary to Ohio law, the District did not certify the availability of funds prior to purchase commitments being incurred for some disbursements.

4. DEBT

Debt outstanding at December 31, 2011:

	Principal	Interest Rate
Water Revenue Bonds – 1972	\$ 166,000	5.000%
Water Revenue Bonds – 1994	1,042,000	5.125%
Water Revenue Bonds – 1997	1,297,841	4.875%
Water Revenue Bonds – 2011	499,758	3.375%
Totals	\$ 3,005,599	

During 1972, the District issued water revenue bonds to finance the construction and purchase of capital assets related to the water system. The bonds were issued for \$1,637,000 and have maturities through January 1, 2013. The loans will be repaid with the proceeds of water revenues in annual installments, in varying amounts, over 40 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

During 1994, the District issued water revenue bonds to purchase Lake Isabella. The bonds were issued for \$1,350,000 and have maturities through December 1, 2033. The loans will be repaid with the proceeds of water revenues in installments, in varying amounts, over 40 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

During 1997, the District issued water revenue bonds to make improvements to the water treatment plant, water storage facilities and the water transmission mains. The bonds were issued for \$1,563,000 and maturities through December 1, 2037. The loans will be repaid with the proceeds of water revenues in annual installments of \$89,544 over 40 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

During 2011, the District issued \$499,758 of \$1,045,000 water revenue bonds to fund the radio read meter project and other projects to be completed in 2012. The bonds mature through December 2031. The loans will be repaid with the proceeds of water revenues in annual installments in varying amounts, over 20 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. DEBT (Continued)

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

<u>Year Ending December 31</u>	<u>1972 Water Revenue Bonds</u>	<u>1994 Water Revenue Bonds</u>	<u>1997 Water Revenue Bonds</u>	<u>2011 Water Revenue Bonds</u>
2012	\$ 90,300	\$ 80,403	\$ 89,544	\$ 35,171
2013	88,200	80,019	89,544	75,369
2014	-	79,584	89,544	74,415
2015	-	80,098	89,544	75,415
2016	-	80,509	89,544	75,367
2017-2021	-	400,638	447,719	377,056
2022-2026	-	400,671	447,719	111,686
2027-2031	-	399,587	447,719	-
2032-2036	-	159,480	447,719	-
2037-2041	-	-	68,411	-
Total	<u>\$ 178,500</u>	<u>\$ 1,760,989</u>	<u>\$ 2,307,007</u>	<u>\$ 824,479</u>

5. RETIREMENT SYSTEMS

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 2011 and 2010, PERS members contributed 10.0% of their gross salaries, respectively. The District contributed an amount equal to 14.0% of participants gross salaries for 2011 and 2010, respectively. The District has paid all contributions required through December 31, 2011.

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.

The District also provides health insurance to full time employees through a private carrier.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited the financial statements of Maysville Regional Water District, Muskingum County as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 13, 2012, 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 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 audit, we considered Maysville Regional Water District's internal control over financial reporting as a basis for designing our audit 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings,, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness..

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maysville Regional Water District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have directly and materially affect 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 one instance 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 2011-01.

Maysville Regional Water District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Maysville Regional Water District's responses and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the District's management, Auditor of State, and others within the District. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 13, 2012

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

<i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i>

FINDING NUMBER 2011-01

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.41(D), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the District Office Manager. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

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

- B. If the amount involved is less than \$3,000 dollars (effective April 7, 2003, prior to that date, the dollar limit was \$1,000) the District Office Manager may authorize payment through a Then and Now Certificate without affirmation of the District Board, if such expenditure is otherwise valid.

Based on testing for 2011 and 2010, 72% and 73% of disbursements tested were not certified by the Office Manager prior to the obligation and Then and Now Certificates were not utilized. The District has instituted the usage of purchase orders and fiscal certificates but were not used for all disbursements or according to a District policy.

We recommend that liabilities, contracts, and open purchase commitments be certified by the District Office Manager in accordance with Ohio Revised Code Section 5705.41(D). We recommend these certifications be recorded on purchase orders.

Client Response: We agree with finding and will continue to monitor.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	ORC 5705.41(D)	No	Not Corrected. Cited in current report as Finding 2011-01.

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Dave Yost • Auditor of State

MAYSVILLE REGIONAL WATER DISTRICT

MUSKINGUM 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
AUGUST 09, 2012**