



Dave Yost • Auditor of State

MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Maysville Regional Water District
Muskingum County
P.O. Box 1700
6255 Maysville Pike
Zanesville, Ohio 43701

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of the Maysville Regional Water District, Muskingum County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on the financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statement, the District prepared the financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

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117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash balance of Maysville Regional Water District, Muskingum County as of December 31, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 28, 2014

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Operating Cash Receipts:		
Charges for Services	\$1,104,729	\$1,084,744
Miscellaneous	75,572	34,804
	1,180,301	1,119,548
Operating Cash Disbursements:		
Personal Services	347,327	331,483
Utilities	126,183	102,427
Repairs and Maintenance	35,403	45,048
Testing and Licenses	12,359	18,672
Other Contractual Services	145	6,157
Chemicals and Operating Supplies	116,758	168,607
Office Supplies and Materials	40,462	44,827
Insurance	106,315	112,797
Capital Outlay	102,601	502,381
	887,553	1,332,399
Operating Income/(Loss)	292,748	(212,851)
Non-Operating Cash Receipts:		
Debt Proceeds	64,612	152,571
Interest	1,494	3,508
	66,106	156,079
Non-Operating Cash Disbursements:		
Debt Service		
Principal	179,655	135,275
Interest	141,091	142,785
Other Non-Operating Cash Disbursements	1,937	3,753
	322,683	281,813
Net Receipts Over/(Under) Disbursements	36,171	(338,585)
Cash Balance, January 1	706,514	1,045,099
Cash Balance, December 31	\$742,685	\$706,514

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

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**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Maysville Regional Water District, Muskingum County (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 the financial statement presents all activities for which the District is financially accountable.

B. Accounting Basis

The financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis 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.

The statement includes 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 the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

2. 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
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

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

	2013	2012
Demand deposits	\$288,526	\$202,852
Certificates of deposit	454,159	503,662
Total deposits	\$742,685	\$706,514

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,184,421	\$1,246,407	\$61,986

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,288,280	\$1,210,236	\$78,044

2012 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$1,251,992	\$1,275,627	\$23,635

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,558,885	\$1,614,212	(\$55,327)

4. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
USDA Water Revenue Bonds - 1994	\$987,000	5.125%
USDA Water Revenue Bonds - 1997	1,244,011	4.875%
USDA Water Revenue Bonds - 2011	675,468	3.375%
Total	\$2,906,479	

During 1972, the District issued USDA 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 had maturities through January 1, 2013. The bonds were repaid with the proceeds of water revenues in annual installments, in varying amounts, over 40 years. The District agreed to set utility rates sufficient to cover debt service requirements.

During 1994, the District issued USDA water revenue bonds to purchase Lake Isabella. The bonds were issued for \$1,350,000 and have maturities through December 1, 2033. The bonds 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 USDA 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 bonds will be repaid with the proceeds of water revenues in annual installments of \$89,544 over 40 years. The District has agreed to set

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. DEBT (Continued)

utility rates sufficient to cover debt service requirements.

During 2011, the District issued \$499,758 of \$1,045,000 USDA water revenue bonds to fund the radio read meter project and other projects to be completed in 2012. During 2013 and 2012, the District issued \$63,240 and \$152,571, respectively, of the \$1,045,000 USDA water revenue bonds, respectively to fund projects to be completed in 2013. The bonds mature through December 2031. The bonds 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.

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

Year ending December 31:	1994 Water Revenue Bonds	1997 Water Revenue Bonds	2011 Water Revenue Bonds
2014	\$79,584	\$89,544	\$75,415
2015	80,098	89,544	75,415
2016	80,509	89,544	75,367
2017	79,818	89,544	75,472
2018	80,075	89,544	75,323
2019-2023	400,650	447,719	377,030
2024-2028	400,047	447,719	377,037
2029-2033	399,786	447,719	226,148
2034-2038	0	337,043	0
Total	<u>\$1,600,567</u>	<u>\$2,127,920</u>	<u>\$1,357,207</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2013.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

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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*

Maysville Regional Water District
Muskingum County
P.O. Box 1700
6255 Maysville Pike
Zanesville, Ohio 43701

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Maysville Regional Water District, Muskingum County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 28, 2014, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statement. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 28, 2014

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contract and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificates – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance of the District upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 84 percent of vouchers tested for 2013 and 50 percent of vouchers tested for 2012, and there was no evidence the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2013-001 (Continued)

Noncompliance (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the General Manager certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The General Manager should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

Officials' Response: We did not receive a response from Officials to this finding.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code § 5705.41D – prior certification	No	Not corrected – repeated as Finding Number 2013-001.

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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
NOVEMBER 13, 2014**