

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY  
Regular Audit  
For the Years Ended December 31, 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Morgan-Meigsville Rural Water District  
P.O. Box 456  
McConnelsville, Ohio 43756

We have reviewed the *Independent Accountants' Report* of the Morgan-Meigsville Rural Water District, Morgan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. 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 Accountants' 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 Accountants' 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 Morgan-Meigsville Rural Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

May 8, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**This Page is Intentionally Left Blank.**

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Accountants' Report .....   | 1           |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund<br>Cash Balance for the Years Ended December 31, 2006 and 2005 .....                                      | 3           |
| Notes to the Financial Statements .....   | 4           |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 9           |
| Schedule of Findings .....  | 11          |
| Schedule of Prior Audit Findings .....  | 13          |

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

April 9, 2007

Morgan-Meigsville Rural Water District  
Morgan County  
P.O. Box 456  
McConnelsville, OH 43756

To the Board of Directors:

We have audited the accompanying financial statements of Morgan-Meigsville Rural Water District, Morgan County, Ohio, (the District) as of and for the years ended December 31, 2006 and 2005. 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 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 years ended December 31, 2006 and 2005. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Morgan-Meigsville Rural Water District, Morgan County, as of December 31, 2006 and 2005, and its 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 years ended December 31, 2006 and 2005. 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 April 9, 2007, 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 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.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGE IN FUND CASH BALANCES-  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

|  | <b>2006</b>      | <b>2005</b>      |
|--|------------------|------------------|
| <b>CASH RECEIPTS:</b>  |                  |                  |
| Charges for services   | \$ 165,460       | \$ 141,434       |
| Interest   | 165              | 189              |
| Tap fees   | 1,200            | 13,200           |
| All other revenue  | 991              | 16,775           |
|  | <b>167,816</b>   | <b>171,598</b>   |
| <b>TOTAL CASH RECEIPTS</b>                                   |                  |                  |
| <b>CASH DISBURSEMENTS:</b>                                   |                  |                  |
| Contract labor   | 8,237            | 10,415           |
| Insurance  | 3,420            | 3,351            |
| Lab fees   | 630              | 970              |
| Miscellaneous  | 746              | 1,675            |
| Office supplies/equipment                                    | 948              | 1,609            |
| Repair/materials supplies                                    | 1,280            | 20,629           |
| Postage  | 1,147            | 1,185            |
| Salaries   | 35,679           | 35,239           |
| Medical insurance  | 6,531            | 6,242            |
| Mileage and expense reimbursement                            | 1,519            | 565              |
| Gasoline   | 4,355            | 4,030            |
| Truck expense  | 920              | 387              |
| Tractor expense  | -                | 56               |
| Pension - PERS   | 8,329            | 8,043            |
| Payroll taxes  | 6,712            | 7,054            |
| Utilities  | 3,939            | 3,377            |
| Water purchase   | 28,536           | 23,200           |
| Audit  | 554              | 6,020            |
| Meter Read   | 23,398           | -                |
| Bank Charges   | 414              | 114              |
| Debt service:  |                  |                  |
| Principal  | 19,929           | 19,484           |
| Interest   | 15,288           | 6,515            |
|  | <b>172,511</b>   | <b>160,160</b>   |
| <b>TOTAL CASH DISBURSEMENTS</b>                              |                  |                  |
| <b>EXCESS OF RECEIPTS OVER(UNDER)<br/>CASH DISBURSEMENTS</b> | (4,695)          | 11,438           |
| <b>FUND CASH BALANCES, JANUARY 1</b>                         | <b>20,011</b>    | <b>8,573</b>     |
| <b>FUND CASH BALANCES, DECEMBER 31</b>                       | <b>\$ 15,316</b> | <b>\$ 20,011</b> |

See notes to the financial statements



**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Morgan-Meigsville Rural Water District, Morgan County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five member Board of Directors appointed by the Morgan County Common Pleas Court Judge. The District provides water utility services to residents of the Morgan District, Bristol District, and Meigsville District.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash 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 expenditures when a commitment is made (i.e., when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Deposits and Investments**

Investments are reported assets and are valued at cost. 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.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

**Governmental Funds**

**General Fund**

The General fund is the operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund. At this time the District does not have any other funds.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

Under HB 262, effective for fiscal years ended December 31, 2000 and subsequent, water and sewer districts not levying property taxes must follow most of the Ohio Revised Code Chapter 5705 budget requirements, but need not seek approval of a county budget commission for any budgetary actions. These districts must:

| <b>HB 262 Requirements</b>  | <b>Applicable<br/>ORC Sections</b> |
|---|------------------------------------|
| Estimated receipts and adopt an operating budget  | 5705.28(B)(2)(a)                   |
| Prepare certificate of estimated resources (but does not require budget commission approval)                      | 5705.36                            |
| Must amend estimated resources under the circumstances described in OCS   | 5705.36                            |
| Appropriate at the minimum level of control prescribed by ORC 5705.38. No budget commission approval is required. | 5705.38                            |
| Cannot appropriate more than estimated resources  | 5705.28(B)(2)(c)                   |
| Must amend appropriations if they intend to spend more than the original appropriation                            | 5705.40                            |
| Cannot disburse or encumber more than appropriated  | 5705.41(B)                         |
| Must certify availability of funds  | 5705.41(D)                         |
| May issue blanket or super blanket purchase orders  | 5705.41(D)                         |

**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 Board of Directors 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 District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated. The District does not use encumbrances.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. 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 maintains cash used by the General fund in a general checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

|                 | 2006     | 2005     |
|-----------------|----------|----------|
| Demand deposits | \$15,316 | \$20,011 |

**Deposits:**

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

| Budgeted vs. Actual Receipts |            |            |
|------------------------------|------------|------------|
|                              | 2006       | 2005       |
| Budgeted Receipts            | \$ 170,000 | \$ 179,400 |
| Actual Receipts              | 167,816    | 171,598    |
| Variance                     | \$ (2,184) | \$ (7,802) |

| Budgeted vs. Actual Budgetary Basis Expenditures |            |             |
|--|------------|-------------|
|  | 2006       | 2005        |
| Appropriation Authority                          | \$ 181,550 | \$ 172,980  |
| Budgetary Expenditures                           | 172,511    | 160,160     |
| Variance   | \$ 9,039   | \$ (12,820) |

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio Rev. Code Section 5705.41(D), the certification of availability of unencumbered appropriations for expenditure was not obtained for any expenditures during 2006 and 2005.

The District did not enter estimated revenues or appropriations to the manual accounting system during 2006 and 2005.

**4. Debt**

Debt outstanding at December 31, 2006 was as follows:

|                     | <u>Principal</u>  | <u>Interest Rate</u> |
|---------------------|-------------------|----------------------|
| OWDA Loan           | \$ 128,692        | 6.91%                |
| First National Bank | 10,000            | 6.00%                |
| Total               | <u>\$ 138,692</u> |                      |

During 1994, the Ohio Water Development Authority (OWDA) approved a line of credit of up to \$300,000 in an Ohio Water development Authority Loan for the water distribution system project. As of December 31, 2006, the District had \$138,692 in principle payable on the line of credit. The loan will be repaid in semi-annual installments of \$7,689, including interest, over 25 years. The scheduled payment on this loan will be adjusted to reflect revisions in the amount borrowed. The loan payable to Ohio Water development Authority (OWDA) is based on an estimate amortization schedule provided by OWDA. No borrowings were made on the line of credit in 2006 and 2005, respectively.

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

|                  | <u>OWDA</u>      |
|------------------|------------------|
| Year Ending      | <u>Loan</u>      |
| December 31:     |                  |
| 2007             | \$ 15,337        |
| 2008             | 15,337           |
| 2009             | 15,337           |
| 2010             | 15,337           |
| 2011             | 15,337           |
| Subsequent years | <u>122,700</u>   |
| Total            | <u>\$199,385</u> |

**Line of Credit**

The District took out a line of credit of \$60,000 from First National Bank of McConnelsville to purchase an existing water line in 2001. As of December 31, 2006 and 2005, the outstanding principal was \$10,000 and \$21,096 respectively. The entire outstanding principal must be paid on December 28, 2007. The minimum monthly payments are the accrued unpaid interest on the outstanding principal at 6.00%.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(continued)**

**5. Retirement Systems**

The District's 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 post retirement 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 2006 and 2005, PERS members contributed 9.0% for 2006 and 8.5% for 2005 of their gross salaries. The District contributed an amount equal to 13.70% for 2006 and 13.55% for 2005 of participant's gross salaries. The District has paid all contributions required through December 31, 2006.

**6. Risk Management**

The District has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Vehicles
- Property

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

April 9, 2007

Morgan-Meigsville Rural Water District  
Morgan County  
P.O. Box 456  
McConnelsville, OH 43756

To the Board of Directors:

We have audited the financial statements of Morgan-Meigsville Rural Water District, Morgan County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 9, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 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 an opinion. The results of our tests disclosed one instance of noncompliance and other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2006-001.

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

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the 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. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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.

1. "Then and Now" certificate - 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 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 taxing authority.
2. 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 certificates 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.
3. Super Blanket Certificate – The entity 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.



**MORGAN-MEIGSVILLE RURAL WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|--|

**FINDING NUMBER 2006-001 (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

The District did not properly certify the availability of funds prior to purchase commitment for 100% of expenditures tested during 2006 and 2005. In addition there was no evidence that the District followed the aforementioned exceptions. Without these certifications, the management of the District lost budgetary control over expenditures.

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 that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the District. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-002**

**Significant Deficiency/Material Weakness**

**Posting Estimated Revenues and Appropriations**

The District did not enter estimated revenues and appropriations to the manual accounting system.

By not posting estimated receipts and appropriations to the accounting system, the District lacked a significant management control of monitoring year-to-date total comparison of budgeted amounts versus actual amounts.

We recommend the Clerk maintain an accounting system and accounting records as set forth in Ohio Admin. Code §117-2-02. We recommend the District implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the board

**Management's Response** – We did not receive a response from officials to this finding.

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;<br><i><b>Explain</b></i> |
|----------------|-------------------|------------------|---|
| 2004-001       | ORC § 5705.36     | Yes              | Not required to be filed with County Auditor.   |
| 2004-002       | ORC § 5705.38     | Yes              | Not required to be filed with County Auditor.   |
| 2004-003       | ORC § 5705.39     | Yes              | Not required to be filed with County Auditor.   |
| 2004-004       | ORC § 5705.41 (B) | Yes              | Not required to be filed with County Auditor.   |
| 2004-005       | ORC § 5705.41 (D) | No               | Repeated as Finding Number 2006-001   |



**Mary Taylor, CPA**  
Auditor of State

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT**

**MORGAN 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  
MAY 22, 2007**