



Dave Yost • Auditor of State

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bishopville Water District
Morgan County
P.O. Box 130
Glouster, Ohio 45732

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements 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 statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material 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 statements 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bishopville Water District, Morgan County, Ohio, as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. The District did not include *Management's Discussion and Analysis* to supplement the basic financial statements. Our opinion was not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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

December 22, 2014

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012**

	2013	2012
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 49,323	\$ 35,400
Accounts Receivable	10,253	15,074
Allowance for Doubtful Accounts	(450)	(450)
Prepaid Items	977	982
<i>Total Current Assets</i>	60,103	51,006
<i>Noncurrent Assets:</i>		
<i>Capital Assets:</i>		
Land	2,250	2,250
Plant	513,901	513,901
Water Tanks and Water Lines	2,247,395	2,247,395
	2,763,546	2,763,546
Less: Accumulated Depreciation	(782,908)	(713,875)
<i>Total Noncurrent Assets</i>	1,980,638	2,049,671
<i>Total Assets</i>	2,040,741	2,100,677
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	6,959	6,314
Payroll Taxes Accrued and Withheld	2,356	2,275
Accrued Interest Payable	2,222	2,358
Notes Payable - Current Portion	73,978	72,449
<i>Total Current Liabilities</i>	85,515	83,396
<i>Long-Term Liabilities:</i>		
Notes Payable - OWDA (net of current portion)	19,118	19,664
Notes Payable - OPWC (net of current portion)	204,805	218,772
Notes Payable - OWDA (net of current portion)	998,749	1,058,249
<i>Total Long-Term Liabilities</i>	1,222,672	1,296,685
<i>Total Liabilities</i>	1,308,187	1,380,081
Net Position		
Invested in Capital Assets, Net of Related Debt	683,988	680,537
Unrestricted	48,566	40,059
<i>Total Net Position</i>	\$ 732,554	\$ 720,596

See accompanying notes to the basic financial statements.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Operating Revenues		
Water Sales	\$ 253,651	\$ 245,662
Tap Fees and Other Miscellaneous	1,000	
	<u>254,651</u>	<u>245,662</u>
<i>Total Operating Revenues</i>		
Operating Expenses		
Wages	42,456	42,078
Water Purchased	64,968	63,592
Utilities	4,909	5,093
Insurance	2,913	3,004
Payroll Taxes	7,223	7,501
Legal and Professional	1,160	1,685
Audit Fees		6,233
Licenses and Permits	1,186	1,542
Repair and Maintenance	4,450	5,893
Board Member Salaries	5,100	5,375
Office Expense	1,103	1,033
Water Testing	1,720	3,358
Mileage Reimbursements	6,467	6,693
Bad Debts	489	1,033
Miscellaneous Expense	105	123
Postage	2,254	2,370
Dues and Subscriptions	100	100
Depreciation	69,032	67,580
	<u>215,635</u>	<u>224,286</u>
<i>Total Operating Expenses</i>		
<i>Operating Income</i>	39,016	21,376
Non-Operating Revenues (Expenses)		
Interest and Fiscal Charges	(27,146)	(28,406)
Interest	88	82
Capital Grant		81,641
	<u>(27,058)</u>	<u>53,317</u>
<i>Total Non-Operating Revenues (Expenses)</i>		
<i>Change in Net Position</i>	11,958	74,693
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>720,596</u>	<u>645,903</u>
<i>Net Position End of Year</i>	<u>\$ 732,554</u>	<u>\$ 720,596</u>

See accompanying notes to the basic financial statements.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash Flows from Operating Activities		
Operating Gain (Loss)	\$ 39,016	\$ 21,376
Adjustments:		
Depreciation	69,032	67,580
(Increase) Decrease in Assets:		
Accounts Receivable	4,821	156
Other	6	13
Increase (Decrease) in Liabilities:		
Accounts Payable	645	(1,713)
Accrued Liabilities	(55)	(651)
Total Adjustments	74,449	65,385
<i>Net Cash Provided by (Used in) Operating Activities</i>	113,465	86,761
Cash Flows from Financing Activities		
Principal Paid on Notes	(72,484)	(70,892)
Interest Paid on Notes	(27,146)	(28,406)
<i>Net Cash Provided by (Used in) Financing Activities</i>	(99,630)	(99,298)
Cash Flows from Investing Activities		
Interest on Investments	88	82
<i>Net Cash Provided by (Used in) Investing Activities</i>	88	82
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	13,923	(12,455)
<i>Cash and Cash Equivalents Beginning of Year</i>	35,400	47,855
<i>Cash and Cash Equivalents End of Year</i>	\$ 49,323	\$ 35,400

See accompanying notes to the basic financial statements.

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**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

1. DESCRIPTION OF THE ENTITY

The Bishopville Water District (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Athens and Morgan Counties on November 8, 1999. The District operates under the direction of a five member board of trustees. The staff, consisting of an appointed Board Treasurer, a distribution superintendent, and an office manager, is responsible for fiscal control of the resources of the District. The District was established to provide an adequate and uncontaminated water supply for the consumption of the water district users. The District serves all or parts of the following political subdivisions in Athens and Morgan Counties:

Trimble Township, Athens County
Homer Township, Morgan County
Union Township, Morgan County

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The District uses fund accounting to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District combines the various funds into a single enterprise fund for financial statement reporting purposes.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of management is that the costs (expenses, including depreciation) of providing 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 revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus

All enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District's financial statements are prepared using the accrual basis of accounting. On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include capital contributions. Expenses are recognized at the time they are incurred.

Cash and Cash Equivalents

Cash in the District's operating account is treated as cash and cash equivalents for the purpose of the Statement of Cash Flows.

Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents set aside for repayment of deposits to utility customers. The District has no restricted assets.

Property, Plant and Equipment (Capital Assets)

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. The District maintains a capitalization threshold of two thousand dollars. Depreciation of capital assets of the District is calculated utilizing the straight-line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major capital asset class are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Plant	40 years
Water Lines and Tanks	40 years
Office Equipment	5 years

Operating Revenues and Expenses

The District has classified its revenues as either operating or non-operating. Operating revenues are those that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the District. Revenues and expenses not meeting this definition are reported as non-operating.

Compensated Absences

GASB Statement 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absences are earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

The District does not record compensated absences in accordance with GASB 16. However, the District feels that any liability would be immaterial to the basic financial statements as a whole.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District has no restricted net position.

3. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the district into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

3. CASH AND CASH EQUIVALENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 - . No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) above, or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to State law, public depositories must give security for all public funds on deposits in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institutions. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

At December 31, 2013 and 2012, the District's entire bank balances of \$49,323 and \$35,400 were covered by the Federal Deposit Insurance Corporation.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
Capital Assets not being Depreciated:				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Total Capital Assets not being Depreciated	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>2,250</u>
Capital Assets being Depreciated:				
Plant	513,901	-	-	513,901
Water Tanks and Water Lines	2,247,395	-	-	2,247,395
Total Capital Assets being Depreciated	<u>2,761,296</u>	<u>-</u>	<u>-</u>	<u>2,761,296</u>
Less Accumulated Depreciation:				
Plant	445,770	12,848	-	458,618
Water Tanks and Water Lines	268,105	56,185	-	324,290
Total Accumulated Depreciation	<u>713,875</u>	<u>69,033</u>	<u>-</u>	<u>782,908</u>
Total Capital Assets being Depreciated, Net	<u>2,047,421</u>	<u>69,033</u>	<u>-</u>	<u>1,978,388</u>
Total Capital Assets, Net	<u>\$ 2,049,671</u>	<u>\$ 69,033</u>	<u>\$ -</u>	<u>\$ 1,980,638</u>

Capital asset activity for the fiscal year ended December 31, 2012 was as follows:

Capital Assets not being Depreciated:				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Total Capital Assets not being Depreciated	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>2,250</u>
Capital Assets being Depreciated:				
Plant	513,901	-	-	513,901
Water Tanks and Water Lines	2,145,368	102,027	-	2,247,395
Office Equipment	3,029	-	3,029	-
Total Capital Assets being Depreciated	<u>2,662,298</u>	<u>102,027</u>	<u>3,029</u>	<u>2,761,296</u>
Less Accumulated Depreciation:				
Plant	432,923	12,847	-	445,770
Water Tanks and Water Lines	213,372	54,733	-	268,105
Office Equipment	3,029	-	3,029	-
Total Accumulated Depreciation	<u>649,324</u>	<u>67,580</u>	<u>3,029</u>	<u>713,875</u>
Total Capital Assets being Depreciated, Net	<u>2,012,974</u>	<u>169,607</u>	<u>-</u>	<u>2,047,421</u>
Total Capital Assets, Net	<u>\$ 2,015,224</u>	<u>\$ 169,607</u>	<u>\$ -</u>	<u>\$ 2,049,671</u>

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

5. CURRENT AND LONG-TERM DEBT

Long term debt activity for the year ended December 31, 2013 is as follows:

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Amounts Due in One Year
OWDA #6238	\$ 20,094	\$ -	\$ 465	\$ 19,629	\$ 512
OWDA #4371	1,116,576		58,327	1,058,249	59,499
OPWC CR25G	232,464		13,692	218,772	13,967
Total Long Term Obligations	\$ 1,369,134	\$ -	\$ 72,484	\$ 1,296,650	\$ 73,978

Long term debt activity for the year ended December 31, 2012 is as follows:

	Balance 12/31/2011	Additions	Reductions	Balance 12/31/2012	Amounts Due in One Year
OWDA #6238	\$ -	\$ 20,386	\$ 292	\$ 20,094	\$ 430
OWDA #4371	1,173,753		57,177	1,116,576	58,327
OPWC CR25G	245,887		13,423	232,464	13,692
Total Long Term Obligations	\$ 1,419,640	\$ 20,386	\$ 70,892	\$ 1,369,134	\$ 72,449

The OWDA #4371 and OPWC CR25G loans were used for plant expansion in order to serve the increasing number of customers. The OWDA #6238 loan was used for the State Route 78 Waterline Replacement project. The revenue of the District has been pledged to repay this debt.

Future principal and interest payments on all the loans are as follows:

Year Ending December 31	OWDA #6238		OWDA #4371		OPWC CR25G		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$512	\$395	\$59,499	\$21,096	\$13,967	\$4,306	\$73,978	\$25,797
2015	522	385	60,695	19,900	14,248	4,025	75,465	24,310
2016	533	374	61,915	18,680	14,535	3,739	76,983	22,793
2017	543	364	63,160	17,435	14,827	3,447	78,530	21,246
2018	554	353	64,429	16,166	15,125	3,149	80,108	19,668
2019-2023	2,943	1,592	342,100	60,875	80,308	11,059	425,351	73,526
2024-2028	3,251	1,284	377,891	25,084	65,762	2,838	446,904	29,206
2029-2033	3,591	944	28,560	399			32,151	1,343
2034-2038	3,966	568					3,966	568
2039-2042	3,214	158					3,214	158
Total	\$19,629	\$6,417	\$1,058,249	\$179,635	\$218,772	\$32,563	\$1,296,650	\$218,615

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

6. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled Claims have not exceeded any aforementioned commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior years.

Workers compensation benefits are provided through the State Bureau of Workers' Compensation.

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Plan Description – The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. District to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory District for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, employees contributed 10 percent of covered payroll.

The District's 2013 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent Employer contribution rates are actuarially determined.

The District's contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$5,944, \$6,129 and \$5,835, respectively, which were equal to the required contributions for those years.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

7. DEFINED BENEFIT PENSION PLAN (Continued)

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on financial statements.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERs financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% and 4.0% during calendar year 2013 and 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% and 6.05% during calendar year 2013 and 2012.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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

8. POSTEMPLOYMENT BENEFITS (Continued)

Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$59, \$245, and \$1,667, respectively; the full amount has been contributed for 2013, 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

9. CONTINGENT LIABILITIES

The District is a defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

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Dave Yost • Auditor of State

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

Bishopville Water District
Morgan County
P.O. Box 130
Glouster, Ohio 45732

To the Board of Directors:

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 basic financial statements of the Bishopville Water District, Morgan 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 December 22, 2014, wherein we noted the District did not include *Management's Discussion and Analysis* to supplement the basic financial statements.

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 statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 a 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 statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying Schedule of Findings to be 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, 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 matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

December 22, 2014

**BISHOPVILLE WATER DISTRICT
MORGAN 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 and Material Weakness

Ohio Admin Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

For the year ended December 31, 2013:

- The beginning and ending fund balances were understated by \$14,672.
- Notes Payable were overstated by \$14,802 and the Unrestricted Fund Balance understated by \$14,739 and Current Portion of Long Term Debt understated by \$63.
- Repairs and Maintenance expenditures were overstated and the Ending Fund Balance understated by \$67.
- Unrestricted Fund Balance and Invested in Capital Assets, Net of Related Debt were understated by \$33,827 and \$683,988, and Government Grants Fund Balance and Fund Balance were overstated by \$544,648 and 173,167.

For the year ended December 31, 2012:

- The beginning fund balance was overstated by \$67,036.
- Notes Payable were overstated by \$18,596 and the Unrestricted Fund Balance understated by \$18,098 and Current Portion of Long Term Debt understated by \$498.
- Capital Assets were overstated and Unrestricted Fund Balance was understated by \$3,426.
- Capital Grants and Ending Fund Balance were understated by \$81,641.
- Repairs and Maintenance expenditures were overstated and the Ending Fund Balance understated by \$67.
- Unrestricted Fund Balance and Invested in Capital Assets, Net of Related Debt were understated by \$25,387 and \$680,537, and Government Grants Fund Balance and Fund Balance were overstated by \$544,647 and \$161,277.

As a result, significant reclassifications, with which the District's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the District take additional care in posting transactions to the District's ledgers in order to ensure the financial statements reflect accurate beginning balances, debt disbursement amounts and fund balance classifications.

Official's Response: We are working to correct this issue.

**BISHOPVILLE WATER DISTRICT
MORGAN 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>
2011-001	A noncompliance citation of Ohio Rev. Code § 5705.41(D)(1) for not certifying the availability of funds.	Yes	N/A
2011-002	A material weakness for lack of a capital asset policy.	Yes	N/A
2011-003	A material weakness for lack of board approved rates of pay.	Yes	N/A



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BISHOPVILLE 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
JANUARY 08, 2015**