



Dave Yost • Auditor of State

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

West Malta Rural Water District
Morgan County
P.O. Box 456
McConnelsville, Ohio 43756

To the Commission:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the West Malta Rural Water District, Morgan County, Ohio (the District), as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 opinions.

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

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014, 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 presents fairly, in all material respects, the cash balance of the West Malta Rural Water District, Morgan County, Ohio, as of December 31, 2014, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 December 14, 2016 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 14, 2016

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
AND CHANGES IN FUND BALANCE (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Cash Receipts:	
Charges for Services - Water	\$148,311
Charges for Services - Bulk Sales	1,058
	149,369
Operating Cash Disbursements:	
Contract Services	34,934
Lab Fees	1,090
Postage	1,116
Office Supplies	213
Materials and Supplies	618
Repairs and Maintenance	259
Contract Labor	1,110
Utilities	8,098
Insurance	2,773
Water Purchase	17,788
Miscellaneous	666
Audit Expense	6,663
Bulk Water Expense	482
Reimbursements	5,271
	81,081
Total Operating Cash Disbursements	81,081
Operating Income/(Loss)	68,288
Non-Operating Cash Receipts:	
Intvestment Earnings	76
	76
Total Non-Operating Cash Receipts	76
Non-Operating Cash Disbursements:	
Principal Payments	22,080
Interest Payments	36,908
	58,988
Total Non-Operating Cash Disbursements	58,988
Net Receipts Over/(Under) Disbursements	9,376
Cash Balances, January 1	71,138
Cash Balances, December 31	\$80,514

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

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**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014**

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 West Malta Rural Water District, Morgan County (the District), as a body corporate and politic. The District was established as a separate political subdivision of the State of Ohio under provisions of Ohio Revised Code § 6119.02(A)(6). Although construction is complete, the affairs of the District continue to be conducted by a four-member Commission. The affairs of the District should be conducted by a three-member Board of Trustees. The Board members are to be appointed by the Morgan County Common Pleas Court Judge. The District provides water services to residents of the District.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Accounting Basis

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The District has one interest bearing checking account, one non-interest bearing checking account and two interest bearing savings accounts.

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.

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014
(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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of the 2014 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.

2. EQUITY IN POOLED DEPOSITS

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

	2014
Demand deposits	\$22,105
Other time deposits (savings accounts)	58,409
Total deposits	\$80,514

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$112,562	\$149,445	\$36,883

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$183,700	\$140,069	\$43,631

4. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Water Resource Revenue Bonds, Series 2010	\$911,400	4%
Ohio Public Works Commission Loan CR25J	549,787	0%
Total	\$1,461,187	

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014
(Continued)**

4. DEBT (Continued)

The District received a loan (#91-01) from the United States Department of Agriculture Rural Development (USDA), to refinance interim financing received through the Ohio Water Development Authority (OWDA) for the construction phase of the water distribution system. Repayment of this debt began in 2012 in accordance with the approved amortization schedule. The debt is collateralized by water resource revenue bonds issued through USDA. The District has agreed to set utility rates sufficient to cover USDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan (#CR25J) relates to the construction of a water system distribution project. The OPWC approved \$646,808 in loans to the District for this project. The loan will be repaid in semiannual installments in July and January of each year. Repayment of this debt began in July, 2010 in accordance with the approved amortization schedule. The loan is collateralized by water receipts. The District has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

Year ending December 31:	Water Resource Revenue Bonds	Ohio Public Works Commission (CR25J)
2015	\$48,156	\$21,560
2016	48,288	21,560
2017	48,196	21,560
2018	48,188	21,560
2019	48,160	21,560
2020-2024	241,008	107,801
2025-2029	241,040	107,801
2030-2034	240,940	107,801
2035-2039	241,020	107,801
2040-2044	241,020	10,783
2045-2049	241,080	
2050-2054	48,152	
Total	\$1,735,248	\$549,787

5. RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014
(Continued)**

5. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	\$21,651,689	\$23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the District's share of these unpaid claims collectible in future years is approximately \$2,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$2,752	\$2,513

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2014
(Continued)**

6. SUBSEQUENT EVENTS

The District merged with the Morgan-Meigsville Rural Water District effective July 1, 2015. On that date, all assets and liabilities of the District were transferred to the Morgan-Meigsville Rural Water District and West Malta Rural Water District ceased to exist.

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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

West Malta Rural Water District
Morgan County
P.O. Box 456
McConnelsville, Ohio 43756

To the Commission:

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 West Malta Rural Water District, Morgan County, Ohio (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated December 14, 2016, wherein we noted the District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2014-001 to be a material weaknesses.

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 2014-001.

District's Response to the Finding

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 14, 2016

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(D) provides that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

During 2014, the District did not maintain a receipt ledger or appropriation ledger.

The District should establish and maintain the required receipts ledger and appropriation ledger in compliance with the Ohio Admin. Code.

Official's Response: In the future, the Board will make an effort to correct the above stated issues.

**WEST MALTA RURAL WATER DISTRICT
MORGAN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	A noncompliance citation and material weakness was issued under Ohio Admin. Code § 117-2-02(D) since the District utilized Quick Books which did not include receipts and appropriations ledgers.	No	Reissued as Finding 2014-001.
2013-002	A material weakness was issued for posting unauthorized transfers to the District's accounting ledgers for not aggregating the bank account balances for reconciliation to the accounting system.	Yes	N/A
2013-003	A material weakness was issued for not reconciling the system to the bank regularly and not including all accounts in the reconciliation.	Yes	N/A
2013-004	A noncompliance citation was issued under Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Yes	N/A



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WEST MALTA 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
DECEMBER 29, 2016**