

BISHOPVILLE WATER DISTRICT

Morgan County

Regular Audit

January 1, 2002 Through December 31, 2003

**BALESTRA, HARR & SCHERER
CERTIFIED PUBLIC ACCOUNTANTS**

528 South West Street, P.O. Box 687
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**Auditor of State
Betty Montgomery**

Board of Trustees
Bishopville Water District
10123 West Mountville Road
Glouster, Ohio 45732

We have reviewed the Independent Auditor's Report of the Bishopville Water District, Morgan County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. 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.

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 Bishopville Water District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 15, 2004

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**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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INDEPENDENT AUDITORS REPORT

Bishopville Water District
Morgan County
10123 West Mountville Road
Glouster, Ohio 45732

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bishopville Water District, Morgan County, as of December 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Balestra, Harr & Scherer

Balestra, Harr & Scherer

July 28, 2004

BISHOPVILLE WATER DISTRICT

Balance Sheet

as of December 31, 2003 and 2002

	<u>December 31,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 70,409	56,515
Accounts receivable	6,894	6,357
Allowance for Doubtful Accounts	(450)	(450)
Prepaid Insurance	1,084	0
Total current assets	<u>77,937</u>	<u>62,422</u>
Restricted assets		
Cash and cash equivalents	25,410	25,410
Total noncurrent assets	<u>25,410</u>	<u>25,410</u>
Fixed assets		
Land	1,500	1,500
Office Equipment	3,030	3,030
Plant	623,679	583,857
Total fixed assets	<u>628,209</u>	<u>588,387</u>
Less: Accumulated depreciation	(332,897)	(319,945)
Net fixed assets	<u>295,312</u>	<u>268,442</u>
Total assets	<u>\$ 398,659</u>	<u>\$ 356,274</u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities		
Accounts payable	\$ 5,229	\$ 4,825
Payroll related liabilities	1,316	800
Current portion of Loans Payable	22,218	22,778
Total current liabilities	<u>28,763</u>	<u>28,403</u>
Long-term liabilities		
Loans Payable	234,928	204,047
Total long term liabilities	<u>234,928</u>	<u>204,047</u>
Total liabilities	<u>263,691</u>	<u>232,450</u>
Equity:		
Retained Earnings - Reserved for debt service	25,410	25,410
Retained Earnings - Unreserved	109,558	98,414
Total equity	<u>134,968</u>	<u>123,824</u>
Total liabilities and equity	<u>\$ 398,659</u>	<u>\$ 356,274</u>

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

BISHOPVILLE WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Retained Earnings
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues		
Water sales	\$ 137,019	\$ 140,922
Tap fees & other miscellaneous	<u>0</u>	<u>2,133</u>
Total operating revenues	<u>137,019</u>	<u>143,055</u>
Operating expenses		
Wages	15,555	15,240
Water purchased	46,146	44,975
Utilities	4,762	3,779
Insurance	3,353	3,421
Payroll taxes	2,821	2,603
Legal and professional	680	6,342
Licenses and permits	864	480
Repair and maintenance	9,405	14,290
Board member salaries	2,273	2,815
Bookkeeping	12,000	11,200
Office expense	886	1,171
Water testing	1,890	2,055
Bad debts	2,492	569
Miscellaneous expense	1,178	1,010
Postage	1,382	995
Office rent	900	900
Dues and subscriptions	100	100
Depreciation	12,951	12,995
Total operating expenses	<u>119,638</u>	<u>124,940</u>
Operating income	<u>17,381</u>	<u>18,115</u>
Nonoperating revenues (expenses)		
Interest revenue	1,084	2,126
Interest expense	<u>(7,321)</u>	<u>(8,401)</u>
Total nonoperating revenues (expenses)	<u>(6,237)</u>	<u>(6,275)</u>
Net income(loss)	11,144	11,840
Retained earnings - beginning of period	<u>123,824</u>	<u>111,984</u>
Retained earnings - end of period	<u>\$ 134,968</u>	<u>\$ 123,824</u>

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

**Bishopville Water District
Statements of Cash Flows
For the Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Receipts from customers	\$ 136,482	143,317
Payments to suppliers	(86,202)	(90,957)
Payments to employees	<u>(20,649)</u>	<u>(20,656)</u>
Net cash provided by operating activities:	<u>29,631</u>	<u>31,704</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of debt	53,000	72,000
Acquisitions of capital assets	(39,821)	(70,348)
Principal paid on capital debt	(22,679)	(21,599)
Interest paid on debt	<u>(7,321)</u>	<u>(8,401)</u>
Net cash used by capital and related financing activities:	<u>(16,821)</u>	<u>(28,348)</u>
Cash flows from investing activities:		
Interest	<u>1,084</u>	<u>2,126</u>
Net cash provided by investing activities	<u>1,084</u>	<u>2,126</u>
Net increase (decrease) in cash and cash equivalents	13,894	5,482
Balances - beginning of year	<u>81,925</u>	<u>76,443</u>
Balances - end of year	<u>\$ 95,819</u>	<u>\$ 81,925</u>
Reconciliation of operating income to net cash Provided by operating activities:		
Operating income	\$ 17,381	18,115
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	12,951	12,995
Changes in net assets and liabilities:		
Receivables	(537)	262
Accounts payable	404	271
Prepaid Insurance	(1,084)	0
Accrued Payroll Liabilities	<u>516</u>	<u>61</u>
Net cash provided by operating activities	<u>\$ 29,631</u>	<u>\$ 31,704</u>
Reconciliation of cash to the statement of assets, liabilities, and fund equity:		
Cash and cash equivalents	\$ 70,409	56,515
Restricted cash and cash equivalents	<u>25,410</u>	<u>25,410</u>
Total cash and cash equivalents	<u>\$ 95,819</u>	<u>\$ 81,925</u>

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

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

1. DESCRIPTION OF THE ENTITY

The Bishopville Water District, Morgan County, (the District) is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Courts of Athens and Morgan Counties on November 8, 1999. The District operates under the direction of a seven-member Board of Trustees. The staff consists of an appointed Board Treasurer, an appointed accountant and one office clerk, who are responsible for the 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 District's users. The District serves all or parts of the following political subdivisions in Athens and Morgan Counties :

Trimble Township, Athens County
Union Township, Morgan County

Homer Township, Morgan County

The District's management believes the general purpose financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's operations are financed and operated in a manner similar to private business enterprises where the intent is that 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/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. Equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The District uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget. The District did not follow the budgeting procedures required by Ohio Revised Code Chapter 5705. The District was unaware of these requirements when formed and was made aware of them in the prior audit. Consequently, no budgets were prepared or adopted, and no budgetary disclosures are included in the general purpose financial statements. Section 41(D) of Ohio Revised Code Chapter 5705 requires the District to reserve (encumber) appropriations when commitments are made and certify necessary funds are in the treasury or in the process of collection free from any previous encumbrances. In addition to not passing an annual appropriation resolution the district did not use purchase orders to encumber funds and certify money is in the treasury or process of collection.

D. Cash and Cash Equivalents

Cash in the District's operating account and certificates of deposit are considered cash for the purposes of the Statement of Cash Flows. Certificates of deposit are stated at their fair market value.

E. Inventory

The inventory is valued at cost, which approximates market, utilizing the first in, first out (FIFO) method. The inventory of the District consists of expendable materials and supplies. The cost is recorded as an expense at the time individual inventory items are used.

F. Restricted Assets

Restricted assets represent monies legally restricted for payment of debt issues .

G. Fixed Assets and Depreciation

Fixed assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized, including interest incurred on construction projects until they are substantially completed. Donated assets are recorded at their fair market value at the time recorded. Depreciation of fixed 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 fixed asset class are as follows:

Plant	40 Years
Office Equipment	5 Years

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 absence is 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 general purpose financial statements as a whole.

I. Long-Term Obligations

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

J. 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.

K. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific use. Balances reserved are for debt issues.

3. CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 two 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 moneys. Interim moneys are those moneys 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 pass book accounts.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

3. CASH AND CASH EQUIVALENTS (Continued)

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At December 31, 2003, the carrying amount of the District's deposits was \$95,819, and the bank balance was \$95,920. Of the bank balance:

1. \$95,920 was covered by the Federal Deposit Insurance Corporation;

At December 31, 2002, the carrying amount of the District's deposits was \$81,925, and the bank balance was \$85,023. Of the bank balance:

1. \$85,023 was covered by the Federal Deposit Insurance Corporation;

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

5. FIXED ASSETS

A summary of the fixed assets as of December 31, 2003 and December 31, 2002, is as follows:

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Land	\$1,500	\$1,500
Plant	623,679	583,857
Office Equipment	<u>3,030</u>	<u>3,030</u>
Total	628,209	588,387
Less Accumulated Depreciation:		
Plant	(330,142)	(317,294)
Office Equipment	<u>(2,755)</u>	<u>(2,651)</u>
Total Accumulated Depreciation	<u>(332,897)</u>	<u>(319,945)</u>
Total Net Fixed Assets	<u>\$295,312</u>	<u>\$268,442</u>

6. LONG-TERM DEBT

Debt outstanding at December 31, 2003, is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Motors Acceptance Corporation (GMAC) Loan Phase I	\$ 101,567	5%
General Motors Acceptance Corporation (GMAC) Loan Phase II	28,957	5%
General Motors Acceptance Corporation (GMAC) Loan Phase III	1,622	5%
WSOS Community Action Commission Loan I	72,000	5%
WSOS Community Action Commission Loan II	<u>53,000</u>	5%
Total	<u>\$ 257,146</u>	

The outstanding GMAC loans were issued for the acquisition and construction of Phase I, II, and III of the construction of the District's infrastructure to provide water to the District's customers. The revenue of the District has been pledged to repay this debt.

The outstanding WSOS CAC loans were issued for plant expansion in order to serve the increasing number of customers. The revenue to the District has been pledged to repay this debt.

Amortization of the above debt, including interest of \$45,981 is scheduled as follows:

Year Ending December 31:	Phase I GMAC Loan	Phase II GMAC Loan	Phase III GMAC Loan	WSOS CAC Loan I	WSOS CAC Loan II	Totals
2004	\$ 19,404	\$ 7,248	\$ 1,649	\$ 4,363	\$ 3,212	\$ 35,876
2005	19,404	7,248	0	77,083	56,742	160,477
2006	19,404	7,248	0	0	0	26,652
2007	19,404	7,248	0	0	0	26,652
2008	19,404	7,248	0	0	0	26,652
2009-2010	23,038	3,780	0	0	0	26,818
Total	<u>\$ 120,058</u>	<u>\$ 40,020</u>	<u>\$ 1,649</u>	<u>\$ 81,446</u>	<u>\$ 59,954</u>	<u>\$ 303,127</u>

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

NOTE 7 - PENSION PLAN

A. Public Employees Retirement System

1. Pension Benefit Obligation

All employees of the District participate in the Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) - a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional 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 Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2003 member contribution rates were 8.5 percent.. The 2003 employer contribution rate for local government employer units was 13.55 percent of covered payroll

The District's contribution to OPERS for the years ending December 31, 2003, 2002 and 2001 was \$3,430, \$3,360 and \$2,070 respectively which was equal to the required contributions.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

NOTE 7 - PENSION PLAN (Continued)

2. Other Postemployment Benefits

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age, and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for local government employer units was 13.55% of covered payroll, and 5.00% was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The rates are the actuarially determined contribution requirements for OPERS. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experiences by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the General Purpose Financial Statements
December 31, 2003 and 2002

8. 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. There has been no significant change in coverage from the prior year.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The District also provides health-care insurance coverage for its full-time employees.

BALESTRA, HARR & SCHERER

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Bishopville Water District
Morgan County
10123 West Mountville Road
Glouster, Ohio 45732

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001, 2003-002 and 2003-003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Bishopville Water District
Morgan County
Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
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We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses .

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

Balestra, Harr & Scherer
Balestra, Harr & Scherer

July 28, 2004

SCHEDULE OF FINDINGS

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY
DECEMBER 31, 2003 AND 2002**

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

Finding Number	2003-001
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Ohio Revised Code Section 5705.38 states “On or about the first day of each fiscal year, an appropriation measure is to be passed”. The District failed to pass an appropriation measure for 2003 or 2002.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Person
2003-001	The District plans to adopt an appropriation measure during the subsequent years.	Before 12/31/04	Joe Ogden, Trustee

Finding Number	2003-002
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Ohio Revised Code Section 5705.41(B) states “No subdivision or taxing authority is to expend money unless it has been appropriated”. The District did not appropriate any funds during 2003 or 2002.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Person
2003-002	The District plans to adopt an appropriation measure during the subsequent years.	Before 12/31/04	Joe Ogden, Trustee

Finding Number	2003-003
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Ohio Revised Code Section 5705.41(D) states “No orders or contracts involving the expenditure of money should be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances”. The District did not certify that funds for expenses were in the treasury or in the process of collections nor did they appropriate amounts required for expenses during 2003 and 2002.

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Person
2003-003	The District plans to adopt an appropriation measure during the subsequent years and will implement a purchase order system.	Before 12/31/04	Joe Ogden, Trustee



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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
SEPTEMBER 28, 2004**