

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY
ANNUAL REPORT**

YEARS ENDED DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Maysville Regional Water District
6255 Maysville Pike
Zanesville, Ohio 43702-1700

We have reviewed the *Independent Auditors' Report* of the Maysville Regional Water District, Muskingum County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Maysville Regional Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 14, 2006

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**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1-2
Statement of Cash Receipts, Cash Disbursements and Changes In Cash Balances - For the Years Ended December 31, 2005 and 2004	3
Notes to Financial Statements	4-7
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	8
Schedule of Findings	9-10
Schedule of Prior Audit Findings	11

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
Zanesville, Ohio 43702-1700

We have audited the accompanying financial statements of the Maysville Regional Water District, Muskingum County, Ohio as of and for the year ended December 31, 2005 and 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonable determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

The basis of accounting prescribed by the Auditor of State requires the District to report outstanding encumbrances at year-end as budgetary expenditures. The District did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year-end.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the accompanying financial statement presentation for 2005 and 2004, the revisions require presenting entity-wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Maysville Regional Water District as of December 31, 2005 and 2004, and their changes in financial position.

Also, in our opinion, except for such adjustments, if any, that would have been necessary to reflect year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Maysville Regional Water District, Muskingum County as of December 31, 2005 and 2004, and its cash receipts and cash disbursements the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the District to include Managements Discussion and Analysis for the years ended December 31, 2005 and 2004. The District has not presented Managements Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2006, on our consideration of the Maysville Regional Water District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 12, 2006

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Cash Receipts		
Charges for Services	\$ 920,619	\$ 892,417
Miscellaneous	7,704	7,162
Total Operating Cash Receipts	928,323	899,579
Operating Cash Disbursements		
Personal Services	289,284	257,519
Utilities	45,062	41,817
Repairs and Maintenance	25,340	15,690
Testing and Licenses	5,236	7,641
Other Contractual Services	9,552	15,755
Chemicals and Operating Supplies	73,417	67,802
Office Supplies and Materials	39,106	42,597
Insurance	66,256	72,096
Capital Outlay	296,562	38,470
Total Operating Cash Disbursements	849,815	559,387
Operating Income/(Loss)	78,508	340,192
Non-Operating Cash Receipts		
Interest	33,947	17,768
Total Non-Operating Cash Receipts	33,947	17,768
Non-Operating Cash Disbursements		
Debt Service		
Principal	104,829	99,954
Interest	162,460	167,458
Other Non-Operating Cash Disbursements	4,066	1,239
Total Non-Operating Cash Disbursements	271,355	268,651
Net Receipts Over/(Under) Disbursements	(158,900)	89,309
Cash Balance - January 1	1,171,430	1,082,121
Cash Balance - December 31	\$ 1,012,530	\$ 1,171,430

See notes to financial statements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Maysville Regional Water District (the District), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. Board Members are appointed by the Common Pleas Court. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District serves all or parts of Springfield and Newton Townships in Muskingum County.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in a money market account.

The carrying amount of cash and investments at December 31 was as follows:

	2005	2004
Demand Deposits	\$ 175,567	\$ 354,546
Money Market	836,963	816,884
Demand Deposits	\$ 1,012,530	\$ 1,171,430

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 899,651	\$ 962,270	\$ 62,619

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,028,292	\$ 1,121,170	\$ (92,878)

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 870,651	\$ 917,347	\$ 46,696

2004 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 828,038	\$ 828,038	\$ -

Compliance and Accountability:

Contrary to Ohio law, the District did not certify the availability of funds prior to purchase commitments being incurred for all disbursements.

Also contrary to Ohio law, expenditures exceeded appropriations at the following function levels:

2005			
Function	Appropriation	Budgetary Expenditure	Variance
Capital Outlay	\$ 203,684	\$ 296,562	\$ (92,878)

4. DEBT

Debt outstanding at December 31, 2005:

	Principal	Interest Rate
Water Revenue Bonds - 1972	\$ 542,000	5.000%
Water Revenue Bonds - 1994	1,177,000	5.125%
Water Revenue Bonds - 1997	1,431,737	4.875%
Totals	\$ 3,150,737	

During 1972, the District issued water revenue bonds to finance the construction and purchase of capital assets related to the water system. The bonds were issued for \$1,637,000 and have maturities through January 1, 2013. The loans will be repaid with the proceeds of water revenues in annual installments, in varying amounts, over 40 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

During 1994, the District issued water revenue bonds to purchase Lake Isabella. The bonds were issued for \$1,350,000 and have maturities through December 1, 2033. The loans will be repaid with the proceeds of water revenues in installments, in varying amounts, over 40 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

During 1997, the District issued water revenue bonds to make improvements to the water treatment plant, water storage facilities and the water transmission mains. The bonds were issued for \$1,563,000 and maturities through December 1, 2037. The loans will be repaid with the proceeds of water revenues in annual installments of \$89,544 over 40 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. DEBT (Continued)

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

Year Ending December 31	1972 Water Revenue Bonds	1994 Water Revenue Bonds	1997 Water Revenue Bonds
2006	\$ 97,100	\$ 80,321	\$ 89,544
2007	96,600	80,296	89,544
2008	94,950	80,220	89,544
2009	94,200	80,093	89,544
2010	92,300	79,914	89,544
Subsequent	178,500	1,840,161	2,396,555
Total	<u>\$ 653,650</u>	<u>\$ 2,241,005</u>	<u>\$ 2,844,275</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants gross salaries for the periods January 1, 2005 through December 31, 2005 and January 1, 2004 through December 31, 2004. The District has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

The District also provides health insurance to full time employees through a private carrier.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
Zanesville, Ohio 43702-1700

We have audited the financial statements of the Maysville Regional Water District as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 12, 2006, wherein we noted the District does not record year-end encumbrances. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maysville Regional Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted instances involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Maysville Regional Water District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as items 2005-01.

A material weakness is a reportable 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Maysville Regional Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2005-01 and 2005-02. We also noted certain immaterial instances of noncompliance which we have reported to management of Maysville Regional Water District in a separate letter dated May 12, 2006.

This report is intended 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 12, 2006

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

<i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i>

FINDING NUMBER 2005-01

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.41(D), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the District Office Manager. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. If the amount involved is less than \$3,000 dollars (effective April 7, 2003, prior to that date, the dollar limit was \$1,000) the District Office Manager may authorize payment through a Then and Now Certificate without affirmation of the District Board, if such expenditure is otherwise valid.

All liabilities, contracts, and open purchase commitments were not certified by the Office Manager prior to the obligation and Then and Now Certificates were not utilized. The District has instituted the usage of purchase orders and fiscal certificates but were not used for all disbursements or according to a District policy.

We recommend that liabilities, contracts, and open purchase commitments be certified by the District Office Manager in accordance with Ohio Revised Code Section 5705.41(D). We recommend these certifications be recorded on purchase orders.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-02

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. The following funds had expenditures in excess of appropriations for 2005 at the function legal level of control:

2005			
Function	Appropriation	Budgetary Expenditure	Variance
Capital Outlay	\$ 203,684	\$ 296,562	\$ (92,878)

We recommend the District monitor budgetary information on a regular basis and expend funds only when appropriations have been adopted.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	ORC 5705.41(D)	No	Not Corrected. Cited in current report.
2003-02	ORC 5705.41(B)	No	Not Corrected. Cited in current report.



**Auditor of State
Betty Montgomery**

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**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2006**