

**MAYSVILLE REGIONAL WATER DISTRICT  
MUSKINGUM COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2006 – DECEMBER 31, 2007**

**Wolfe, Wilson, & Phillips, Inc.  
37 South Seventh Street  
Zanesville, Ohio 43701**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Maysville Regional Water District  
P.O. Box 1700  
6255 Maysville Pike  
Zanesville, Ohio 43702

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, 2006 through December 31, 2007. 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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 23, 2008

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**MAYSVILLE REGIONAL WATER DISTRICT  
MUSKINGUM COUNTY**

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**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 43701

We have audited the accompanying financial statement of the Maysville Regional Water District, Muskingum County as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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.

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 reasonably 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.

Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 for the years ending December 31, 2007 and 2006 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, 2007 and 2006, and or its changes in financial position for the years then ended.

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, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2008, on our consideration of the Maysville Regional Water District's internal control structure over financial reporting and our tests of its compliance with certain provisions of 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 2, 2008

**MAYSVILLE REGIONAL WATER DISTRICT  
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
<b>Operating Cash Receipts</b>		
Charges for Services	\$ 1,012,401	\$ 924,093
Miscellaneous	24,376	10,635
Total Operating Cash Receipts	1,036,777	934,728
<b>Operating Cash Disbursements</b>		
Personal Services	325,539	304,889
Utilities	58,229	58,348
Repairs and Maintenance	27,528	32,364
Testing and Licenses	4,622	8,136
Other Contractual Services	220	6,941
Chemicals and Operating Supplies	116,576	74,249
Office Supplies and Materials	43,143	46,220
Insurance	81,148	73,677
Capital Outlay	107,209	124,572
Total Operating Cash Disbursements	764,214	729,396
Operating Income/(Loss)	272,563	205,332
<b>Non-Operating Cash Receipts</b>		
Interest	33,121	33,727
Total Non-Operating Cash Receipts	33,121	33,727
<b>Non-Operating Cash Disbursements</b>		
Debt Service		
Principal	114,710	109,747
Interest	151,731	157,219
Other Non-Operating Cash Disbursements	3,318	4,805
Total Non-Operating Cash Disbursements	269,759	271,771
Net Receipts Over/(Under) Disbursements	35,925	(32,712)
Cash Balance - January 1	979,818	1,012,530
Cash Balance - December 31	\$ 1,015,743	\$ 979,818

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 2007 and 2006 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:

	2007	2006
Demand Deposits	\$ 136,205	\$ 121,919
Money Market	879,538	857,899
Demand Deposits	\$ 1,015,743	\$ 979,818

**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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 899,651	\$ 1,069,898	\$ 170,247

  

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,033,973	\$ 1,033,973	\$ -

**MAYSVILLE REGIONAL WATER DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 899,651	\$ 968,455	\$ 68,804

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,001,167	\$ 1,001,167	\$ -

**Compliance and Accountability:**

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

**4. DEBT**

Debt outstanding at December 31, 2007:

	Principal	Interest Rate
Water Revenue Bonds – 1972	\$ 399,000	5.000%
Water Revenue Bonds – 1994	1,136,000	5.125%
Water Revenue Bonds – 1997	1,391,280	4.875%
Totals	\$ 2,926,280	

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
2008	\$ 94,950	\$ 80,220	\$ 89,544
2009	94,200	80,093	89,544
2010	92,300	79,914	89,544
2011	90,300	79,684	89,544
2012	88,200	80,403	89,544
2013-2017	-	400,028	447,720
2018-2022	-	400,901	447,720
2023-2027	-	400,167	447,720
2028-2032	-	399,596	447,720
2033-2037	-	79,895	426,588
Total	<u>\$ 459,950</u>	<u>\$ 2,080,901</u>	<u>\$ 2,665,188</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 2007 and 2006, PERS members contributed 9.5% and 9.00% of their gross salaries, respectively. The District contributed an amount equal to 13.85% and 13.70% of participants gross salaries for 2007 and 2006, respectively. The District has paid all contributions required through December 31, 2007.

**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 INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Maysville Regional Water District  
Muskingum County  
6255 Maysville Pike  
Zanesville, Ohio 43701

We have audited the financial statements of Maysville Regional Water District as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 2, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2007-01.

Maysville Regional Water District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Maysville Regional Water District response and, accordingly, we express no opinion on it.

This report is intended for the information of the District's management, General Manager, and Auditor of State, 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 2, 2008

**MAYSVILLE REGIONAL WATER DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<i><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></i>
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**FINDING NUMBER 2007-01**

**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.

Based on testing for 2007 and 2006, 28% and 71% of disbursements tested 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.

Client Response: We agree with finding and will continue to monitor.

**MAYSVILLE REGIONAL WATER DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2005-01	ORC 5705.41(D)	No	Not Corrected. Cited in current report as Finding 2007-01.
2005-02	ORC 5705.41(B)	Yes	Finding No Longer Valid





**Mary Taylor, CPA**  
Auditor of State

**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  
JULY 3, 2008**