

***MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013





Dave Yost • Auditor of State

Board of Trustees
Morgan Meigsville Rural Water District
1072 East State Route 60
PO Box 456
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan Meigsville Rural Water District, Morgan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 Morgan Meigsville Rural Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 17, 2015

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MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY
AUDIT REPORT
For Years Ending December 31, 2014 and 2013

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REPORT OF INDEPENDENT ACCOUNTANTS

Morgan-Meigsville Rural Water District
Morgan County
1072 E. State Route 60
P.O. Box 456
McConnelsville, Ohio 43756

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Morgan-Meigsville Rural Water District, Meigs County, (the District) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); 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 these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing 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 statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

Although the effects on the financial statements 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 these statements 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 Section 117.38 and Ohio Administrative Code Section 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 statements referred to above do 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 and 2013, or changes in financial position or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Morgan-Meigsville Rural Water District, Meigs County, as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015, 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.



Charles E. Harris & Associates, Inc.

June 25, 2015

MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Cash Receipts		
Charges for Services	\$ 317,283	\$ 235,402
Total Operating Cash Receipts	<u>317,283</u>	<u>235,402</u>
 Operating Cash Disbursements		
Personal Services	122,454	113,823
Repairs and Maintenance	10,775	5,956
Water Purchase	87,959	91,348
Professional Expenses	-	4,010
Lab Fees	1,000	1,392
Utilities	8,944	7,323
Truck Expense	12,003	9,223
Office Expense	5,166	3,835
Insurance	4,964	3,349
Miscellaneous	7,266	7,061
Total Operating Cash Disbursements	<u>260,531</u>	<u>247,320</u>
 Operating Income (Loss)	<u>56,752</u>	<u>(11,918)</u>
 Non-Operating Cash Receipts		
Intergovernmental	134,064	142,114
Proceeds of Loan	1,358,608	233,528
Miscellaneous Receipts	12,064	10,937
Earnings on Investments	146	94
Total Non-Operating Cash Receipts	<u>1,504,882</u>	<u>386,673</u>
 Non-Operating Cash Disbursements		
Principal Redemption	90,922	24,038
Capital Outlay	1,374,526	310,290
Interest and Fiscal Charges	5,314	6,222
Total Non-Operating Cash Disbursements	<u>1,470,762</u>	<u>340,550</u>
 Net Receipts Over /(Under) Disbursements	90,872	34,205
 Cash Balance, January 1	<u>39,896</u>	<u>5,691</u>
 Cash Balance, December 31	<u>\$ 130,768</u>	<u>\$ 39,896</u>

See accompanying notes to the financial statements

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Morgan Meigsville Rural Water District, Morgan County, (the District) as a body corporate and politic. Each political subdivision within the District appoints one member to the Board of Trustees to direct the District. There are three Board members. Subdivisions within the District are, the Sutton District, the Village of Syracuse, and the Village of Racine. The District provides sewer services to residents of the District.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1

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 2014 and 2013 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 statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$130,768</u>	<u>\$39,896</u>
Total deposits	<u><u>\$130,768</u></u>	<u><u>\$39,896</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. BUDGETARY ACTIVITY – (Continued)

2014 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$2,570,100	\$1,822,165	(\$747,935)

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation	Budgetary	
Authority	Disbursements	Variance
\$2,558,150	\$1,731,293	\$826,857

2013 Budgeted vs. Actual Receipts		
Budgeted	Actual	
Receipts	Receipts	Variance
\$632,000	\$622,075	(\$9,925)

2013 Budgeted vs. Actual Budgetary Basis Disbursements		
Appropriation	Budgetary	
Authority	Disbursements	Variance
\$595,736	\$587,870	\$7,866

4. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
OWDA 6719	\$1,357,929	1.50%
OWDA 6224	239,637	0.00%
OWDA 2897	63,037	0.00%
Total	\$1,660,603	

During 1994 the District received a loan (#2897) from the Ohio Water Development Authority for \$180,192 that was used to construct a Water Distribution System. The loan is being repaid in semi-annual installments of \$7,669, including interest, with the final payment due in 2020.

During 2014 the District received a loan (#6224) from the Ohio Water Development Authority for \$283,590 that was used for water line extension. The project is ongoing and the loan was still open at December 31, 2014. Amortization on this loan has not been finalized.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

4. DEBT – (Continued)

During 2014 the District received a loan (#6719) from the Ohio Water Development Authority for \$1,946,691 that is being used for water line extension. The project is ongoing and the loan was still open at December 31, 2014. Amortization on this loan has not been finalized.

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

Year ending December 31:	OWDA 2897
2015	\$7,669
2016	15,338
2017	15,338
2018	15,338
2019	15,338
2020-2024	7,669
Total	\$76,690

5. RETIREMENT SYSTEMS

The District’s full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan’s retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants’ gross salaries. The District has paid all contributions required through December 31, 2014.

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.

Settlement amounts have not exceeded insurance coverage for the last three years. There has been no reduction in liability limits.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Morgan-Meigsville Rural Water District
Morgan County
1072 E. State Route 60
P.O. Box 456
McConnelsville, Ohio 43756

To the Board of Trustees:

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 statements of the Morgan-Meigsville Rural Water District, Morgan County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 25, 2015, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

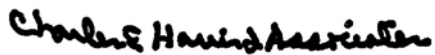
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.



Charles E. Harris & Associates, Inc.
June 25, 2015