

Bishopville Water District  
Morgan Ohio

Regular Audit

January 1, 2008, through December 31, 2009  
Fiscal Years Audited Under GAGAS: 2009 and 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Bishopville Water District  
10123 West Mountsville 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, 2008 through December 31, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 28, 2010

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**Bishopville Water District**  
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*For the Years Ended December 31, 2009 and 2008*

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### Independent Auditor's Report

Board of Trustees  
Bishopville Water District  
3758 Vicksville Lane  
Glouster, Ohio 45732

We have audited the accompanying financial statements of the business-type activities of the Bishopville Water District, Morgan County (the District), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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.

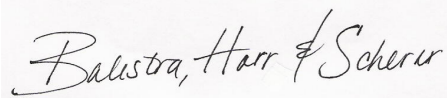
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, thereof, for the years 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 June 30, 2010 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees  
Bishopville Water District  
Independent Auditor's Report  
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As described in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27," and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2010

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008  
UNAUDITED**

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This discussion and analysis, along with the accompanying financial reports, of Bishopville Water District (BWD or "the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The total assets of BWD exceeded liabilities on December 31, 2009 by \$760,191 and on December 31, 2008 by \$771,181. The District's net assets decreased by \$10,990 (1.4%) in 2009 and increased by \$27,897 (3.8%) in 2008.

The District's Operating Revenues decreased by \$29,547 (11.9%) in 2009 and increased by \$52,118 (26.5%) in 2008. Operating Expenses decreased by \$8,941 (4.0%) in 2009 and increased by \$59,972 (37.3%) in 2008.

**OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Assets** include all of the District's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net assets are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Assets** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special assessments and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.



**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008**

**STATEMENTS OF NET ASSETS**

Table 1 summarizes the Statements of Net Assets of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", represents Capital Assets less outstanding debt that was used to acquire those assets.

<b>TABLE 1</b>	<b>2009</b>	<b>2008</b>	<b>Change Amount</b>	<b>2007 *</b>	<b>Change Amount</b>
Current and Other Assets	\$ 97,172	\$ 78,804	\$ 18,368	\$ 62,133	\$ 16,671
Restricted Assets			-	-	-
Capital Assets, Net	<u>2,259,691</u>	<u>2,287,729</u>	<u>(28,038)</u>	<u>2,296,024</u>	<u>(8,295)</u>
<b>Total Assets</b>	<b><u>2,356,863</u></b>	<b><u>2,366,533</u></b>	<b><u>(9,670)</u></b>	<b><u>2,358,157</u></b>	<b><u>8,376</u></b>
Long Term Liabilities	1,560,219	1,544,443	15,776	1,534,334	10,109
Other Liabilities	<u>36,453</u>	<u>50,909</u>	<u>(14,456)</u>	<u>80,539</u>	<u>(29,630)</u>
<b>Total Liabilities</b>	<b><u>1,596,672</u></b>	<b><u>1,595,352</u></b>	<b><u>1,320</u></b>	<b><u>1,614,873</u></b>	<b><u>(19,521)</u></b>
Net Assets					
Invested in Capital Assets, Net					
Of Related Debt	676,525	708,691	(32,166)	736,647	(27,956)
Unrestricted	<u>83,666</u>	<u>62,490</u>	<u>21,176</u>	<u>6,637</u>	<u>55,853</u>
<b>Total Net Assets</b>	<b><u>\$ 760,191</u></b>	<b><u>\$ 771,181</u></b>	<b><u>\$ (10,990)</u></b>	<b><u>\$ 743,284</u></b>	<b><u>\$ 27,897</u></b>

\* - As restated – See Note 9 to the Basic Financial Statements.

The District's Net Assets decreased by \$10,990 (1.4%) in 2009 and increased by \$27,897 (3.8%) in 2008. The decrease in 2009 is primarily due to depreciation expense which reduced Invested in Capital Assets, Net of Related Debt but was partially offset by the increased in unrestricted net assets noted below. The increase for 2008 is due to the increase in unrestricted net assets noted below which was partially offset by depreciation expense which reduced Invested in Capital Assets, Net of Related Debt.

Unrestricted net assets increased \$21,176 from 2008 to 2009 and increased by \$55,853 from 2007 to 2008. Unrestricted assets may be used without constraints established by other legal requirements. Cash increased by \$22,258 from 2008 to 2009 and \$13,797 from 2007 to 2008 primarily due to increased revenue from continued district growth.

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008**

**STATEMENTS OF CHANGES IN NET ASSETS**

Table 2 below summarizes the changes in Revenues and Expenses and the resulting change in Net Assets.

<b>TABLE 2</b>	<b>2009</b>	<b>2008</b>	<b>Difference</b>	<b>2007 *</b>	<b>Difference</b>
Operating Revenues	\$ 218,890	\$ 248,437	\$ (29,547)	\$ 196,319	\$ 52,118
Operating Expenses (Excluding Depreciation)	145,420	155,336	(9,916)	147,934	7,402
Depreciation	66,432	65,457	975	12,887	52,570
<b>Total Operating Expenses</b>	<b>211,852</b>	<b>220,793</b>	<b>(8,941)</b>	<b>160,821</b>	<b>59,972</b>
Operating Income	7,038	27,644	(20,606)	35,498	(7,854)
Non-Operating Revenues	291	6,068	(5,777)	9,055	(2,987)
Non-Operating Expenses	(18,319)	(5,815)	(12,504)	(19,341)	13,526
<b>Changes in Net Assets</b>	<b>(10,990)</b>	<b>27,897</b>	<b>(38,887)</b>	<b>25,212</b>	<b>2,685</b>
<b>Net Assets at Beginning of Year</b>	<b>771,181</b>	<b>743,284</b>	<b>27,897</b>	<b>718,072</b>	<b>25,212</b>
<b>Net Assets at End of Year</b>	<b>\$ 760,191</b>	<b>\$ 771,181</b>	<b>\$ (10,990)</b>	<b>\$ 743,284</b>	<b>\$ 27,897</b>

\* - As restated – See Note 9 to the Basic Financial Statements.

Operating Revenues decreased \$29,547 from 2008 to 2009 due to several factors. Tap fees decreased \$41,900 as the majority of the tap fees were earned in 2008 as the project was placed into service; however, this decrease was partially offset by an increase in service charge revenues due to the increased number of customers. Operating expenses exclusive of depreciation decreased \$9,074 primarily due to decreases in wages, insurance, legal and professional, repair and maintenance expenses and audit fees (which occur every two years. Depreciation remained relatively consistent with 2008.

Operating Revenues increased \$52,118 from 2007 to 2008 primarily due to an increase in tap fee revenues as the construction project was placed into service and the tap fee revenue was recognized, but also due to an increased number of customers. Operating expenses exclusive of depreciation increased \$7,402 primarily due to increases in legal and professional services and audit fees due to the audit taking place every two years. Depreciation increased \$52,570 from 2007 to 2008 due to the construction project being fully placed into service and being depreciated.

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008**

**CAPITAL ASSETS**

The District had \$2,776,102 invested in Capital Assets (before depreciation) at the end of 2009. This amount is an increase of \$38,394 (1.4%) from the previous year. This increase is due to final costs associated with the water tanks and water lines project. The District had \$2,259,691 invested in Net Capital Assets (after depreciation) at the end of 2009. This amount is a decrease of \$28,038 (1.2%) from the previous year. The reason for the decrease in Net Capital Assets is due to depreciation expense during 2009.

The District had \$2,737,708 invested in Capital Assets (before depreciation) at the end of 2008. This amount is an increase of \$57,162 (2.1%) from the previous year. This increase is due to final costs associated with the water tanks and water lines project. The District had \$2,287,729 invested in Net Capital Assets (after depreciation) at the end of 2008. This amount is a decrease of \$8,295 (.4%) from the previous year. The primary reason that Net Capital Assets decreased is due to depreciation expense during 2008 which was partially offset by an increase in capital assets noted above. Additional information regarding capital assets can be found in Note 4 to the Basic Financial Statements.

**Table 3**

	<u>2009</u>	<u>2008</u>	<u>Change Amount</u>	<u>2007 *</u>	<u>Change Amount</u>
Land	\$ 2,250	\$ 2,250	\$ -	\$ 2,250	\$ -
Construction in Progress	-	-	-	2,161,366	(2,161,366)
Plant	513,901	513,901	-	513,901	-
Water Tanks & Water Lines	2,256,922	2,218,528	38,394	-	2,218,528
Office Equipment	3,029	3,029	-	3,029	-
<b>Totals Before</b>					
Accumulated Depreciation	2,776,102	2,737,708	38,394	2,680,546	57,162
Accumulated Depreciation	(516,411)	(449,979)	(66,432)	(384,522)	(65,457)
<b>Net Capital Assets</b>	<u><u>\$ 2,259,691</u></u>	<u><u>\$ 2,287,729</u></u>	<u><u>\$ (28,038)</u></u>	<u><u>\$ 2,296,024</u></u>	<u><u>\$ (8,295)</u></u>

\* - As restated – See Note 9 to the Basic Financial Statements.

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2005**

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**DEBT**

The District issues long term debt to finance much of its construction. The District typically levies special assessments on the benefiting property owners and then obtains Ohio Water Development Authority Loans (OWDA) to finance these water line projects. The special assessment collections are generally received over a twenty five year period and such collections are used to pay the debt service on the OWDA Loans. Additional information regarding debt can be found in Note 5 to the Basic Financial Statements.

**TABLE 4**

	<u>2009</u>	<u>2008</u>	<u>Change Amount</u>	<u>2007 *</u>	<u>Change Amount</u>
OWDA #4371	1,308,083	1,297,633	10,450	1,265,514	32,119
OPWC #CR25G	275,083	281,405	(6,322)	293,863	(12,458)
<b>Total Long Term Debt</b>	<b><u>\$ 1,583,166</u></b>	<b><u>\$ 1,579,038</u></b>	<b><u>\$ 4,128</u></b>	<b><u>\$ 1,559,377</u></b>	<b><u>\$ 19,661</u></b>

\* - As restated - See Note 9 to the Basic Financial Statements.

**CASH**

Cash and investments on December 31, 2009 were \$83,257 and on December 31, 2008 were \$60,999.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to Vicki Mingus, Clerk, Bishopville Water District, 3758 Vicksville Lane, Glouster, Ohio 45732 or (740) 767-4522.

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

STATEMENTS OF NET ASSETS

As of December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 83,257	\$ 60,999
Accounts receivable	14,365	18,255
Allowance for doubtful accounts	(450)	(450)
Prepaid Assets	-	-
<b>Total current assets</b>	97,172	78,804
<b>Noncurrent assets</b>		
Capital Assets:		
Land	2,250	2,250
Construction in Progress	-	-
Water Tanks & Water Lines	2,256,922	2,218,528
Plant	513,901	513,901
Office equipment	3,029	3,029
	2,776,102	2,737,708
Less: Accumulated depreciation	(516,411)	(449,979)
<b>Net Capital Assets</b>	2,259,691	2,287,729
<b>Total assets</b>	\$ 2,356,863	\$ 2,366,533
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 7,247	\$ 13,447
Payroll taxes accrued and withheld	3,508	2,867
Accrued interest	2,751	-
Tap fees - expansion	-	-
Notes payable - current portion	22,947	34,595
<b>Total current liabilities</b>	36,453	50,909
<b>Long-term liabilities</b>		
Notes payable - OWDA	1,297,972	1,269,360
Notes payable - OPWC	262,247	275,083
<b>Total long-term liabilities</b>	1,560,219	1,544,443
<b>Total liabilities</b>	1,596,672	1,595,352
<b>Net assets</b>		
Invested in capital assets, net of related debt	676,525	708,691
Unrestricted	83,666	62,490
<b>Total net assets</b>	\$ 760,191	\$ 771,181
<b>Total Liabilities and net assets</b>	\$ 2,356,863	\$ 2,366,533

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

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Operating revenues</b>		
Water sales	\$ 212,540	\$ 200,187
Tap fees and other miscellaneous	6,350	48,250
<b>Total operating revenues</b>	<u>218,890</u>	<u>248,437</u>
<b>Operating expenses</b>		
Wages	40,890	42,215
Water purchased	59,162	57,161
Utilities	5,144	5,220
Insurance	1,536	2,774
Payroll taxes	9,233	8,603
Legal and professional	900	2,352
Licenses and permits	1,211	948
Repair and maintenance	8,521	10,979
Board member salaries	5,140	6,110
Audit fees	1,440	5,760
Office expense	1,371	1,407
Water testing	1,993	1,833
Miscellaneous expense	367	982
Postage	2,129	2,188
Storage	50	240
Travel	5,993	6,264
Office rent	240	-
Dues and subscriptions	100	300
Depreciation	66,432	65,457
<b>Total operating expenses</b>	<u>211,852</u>	<u>220,793</u>
<b>Operating income</b>	<u>7,038</u>	<u>27,644</u>
<b>Nonoperating revenues (expenses)</b>		
Government Grants	-	5,815
Interest revenue	291	253
Interest expense	(18,319)	(5,815)
<b>Net other income (expense)</b>	<u>(18,028)</u>	<u>253</u>
<b>Changes in net assets</b>	(10,990)	27,897
<b>Net assets, beginning of year - as restated - See Note 9</b>	771,181	743,284
<b>Net assets, end of year</b>	<u>\$ 760,191</u>	<u>\$ 771,181</u>

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

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 216,430	\$ 151,363
Cash received for tap fees	6,350	48,250
Cash payments to suppliers for goods and services	(96,357)	(91,521)
Cash payments for employee services and benefits	(54,622)	(57,047)
Net cash provided by operating activities	<u>71,801</u>	<u>51,045</u>
<b>Cash flows from capital and related financing activities</b>		
Principal payments	(34,595)	(25,043)
Interest payments	(15,568)	(6,025)
Proceeds from debt issuance	38,723	44,704
Intergovernmental grants	-	5,815
Capital outlay	(38,394)	(56,952)
Net cash provided (used) by capital and related financing activities	<u>(49,834)</u>	<u>(37,501)</u>
<b>Cash flows from investing activities</b>		
Interest on cash and investments	<u>291</u>	<u>253</u>
Net increase (decrease) in cash and cash equivalents	22,258	13,797
Cash and cash equivalents at beginning of year	60,999	47,202
Cash and cash equivalents at end of year	<u>\$ 83,257</u>	<u>\$ 60,999</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 7,038	\$ 27,644
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation	66,432	65,457
<b>Changes in assets and liabilities:</b>		
(Increase) decrease in accounts receivable	3,890	(2,874)
Increase (decrease) in accounts payable (operating)	(6,200)	6,887
Increase (decrease) in tap fees - expansion	-	(45,950)
Increase (decrease) in accrued wages and benefits	641	(119)
Total adjustments	<u>64,763</u>	<u>23,401</u>
<b>Net cash provided by operating activities</b>	<u>\$ 71,801</u>	<u>\$ 51,045</u>

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

# BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2009 and 2008

## 1. DESCRIPTION OF THE REPORTING 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 reporting entity is comprised of the primary government.

### A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. The District provides water and sewer services to residents of the District.

### B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. Based on these criteria, the District has no component units.

The District's management believes the basic 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 basic 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 basic financial statements consist of a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.



# BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2009 and 2008

## Note 2 – Summary of Significant Accounting Policies (continued)

### Government-Wide Financial Statements

The statement of net assets presents the cash balance of the business-type activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's business-type activities. Disbursements are reported by activity. An activity is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity is self-financing on a cash basis or draws from the District's general receipts.

### Fund Financial Statements

During the year, the District segregates transactions related to certain District activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

### Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The District classifies its funds into the Enterprise Fund type.

### Proprietary Funds

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's major enterprise fund is the water fund.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within Water District.

## **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 Basic Financial Statements

December 31, 2009 and 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the District Board may appropriate.

The appropriations resolution is the District Boards' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the District Board. The legal level of control has been established at the fund/function/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Secretary/Treasurer.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

### 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. Capital Assets and Depreciation

Capital 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 capital 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 Basic Financial Statements

December 31, 2009 and 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### G. 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 absences are 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 basic financial statements as a whole.

### H. Long-Term Obligations

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

### I. 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.

### J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There are no restricted net assets.

## 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.

Interim monies can be deposited or invested in the following securities:

# BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2009 and 2008

## 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, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

**BISHOPVILLE WATER DISTRICT**  
**Morgan County, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2009 and 2008**

**3. CASH AND CASH EQUIVALENTS (Continued)**

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.

**Deposits:** Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The carrying amounts of the District's deposits at December 31, 2009 and 2008 were \$83,257 and \$60,699 and the bank balances were \$85,445 and \$70,121. The entire bank balances for December 31, 2009 and 2008 were covered by the Federal Deposit Insurance Corporation. None of the balances were subject to custodial credit risk.

**4. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended December 31, 2009 was as follows:

	Ending Balance 12/31/08	Additions	Deletions	Ending Balance 12/31/09
Capital Assets, Not Being Depreciated				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Total Capital Assets, Not Being Depreciated	2,250	-	-	2,250
Capital Assets Being Depreciated				
Plant	513,901	-	-	513,901
Water Tanks & Water Lines	2,218,528	38,394	-	2,256,922
Office Equipment	3,029	-	-	3,029
Total Capital Assets, Being Depreciated	2,735,458	38,394	-	2,773,852
Less Accumulated Depreciation:				
Plant	(394,379)	(12,848)	-	(407,227)
Water Tanks & Water Lines	(52,571)	(53,584)	-	(106,155)
Office Equipment	(3,029)	-	-	(3,029)
Total Accumulated Depreciation	(449,979)	(66,432)	-	(516,411)
Total Capital Assets Being Depreciated, Net	2,285,479	(28,038)	-	2,257,441
Total Capital Assets, Net	<u>\$ 2,287,729</u>	<u>\$ (28,038)</u>	<u>\$ -</u>	<u>\$ 2,259,691</u>

**BISHOPVILLE WATER DISTRICT**  
**Morgan County, Ohio**  
**Notes to the Basic Financial Statements**  
**December 31, 2009 and 2008**

**4. CAPITAL ASSETS (Continued)**

Capital assets activity for the fiscal year ended December 31, 2008 was as follows:

	Ending Balance 12/31/07	Additions	Deletions	Ending Balance 12/31/08
Capital Assets, Not Being Depreciated				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Construction in Progress	2,161,366	-	2,161,366	-
Total Capital Assets, Not Being Depreciated	<u>2,163,616</u>	-	<u>2,161,366</u>	<u>2,250</u>
Capital Assets Being Depreciated				
Water Tanks & Water Lines	-	2,218,528	-	2,218,528
Plant	513,901	-	-	513,901
Office Equipment	3,029	-	-	3,029
Total Capital Assets, Being Depreciated	<u>516,930</u>	<u>2,218,528</u>	-	<u>2,735,458</u>
Less Accumulated Depreciation:				
Plant	(381,532)	(12,847)	-	(394,379)
Water Tanks & Water Lines	-	(52,571)	-	(52,571)
Office Equipment	(2,990)	(39)	-	(3,029)
Total Accumulated Depreciation	<u>(384,522)</u>	<u>(65,457)</u>	-	<u>(449,979)</u>
Total Capital Assets Being Depreciated, Net	<u>132,408</u>	<u>2,153,071</u>	-	<u>2,285,479</u>
Total Capital Assets, Net	<u>\$ 2,296,024</u>	<u>\$ 2,153,071</u>	<u>\$ 2,161,366</u>	<u>\$ 2,287,729</u>

**5. LONG-TERM DEBT**

Debt outstanding at December 31, 2009 is as follows:

Loan	Ending Balance 12/31/2008	Additions	Payments	Ending Balance 12/31/2009	Amount Due in One Year
OWDA #4371	1,297,633	38,723	28,273	1,308,083	10,111
OPWC #CR25G	281,405	-	6,322	275,083	12,836
Total	<u>\$1,579,038</u>	<u>\$38,723</u>	<u>\$34,595</u>	<u>\$1,583,166</u>	<u>\$22,947</u>

**BISHOPVILLE WATER DISTRICT**

**Morgan County, Ohio**

**Notes to the Basic Financial Statements**

**December 31, 2009 and 2008**

**5. LONG-TERM DEBT (Continued)**

Debt outstanding at December 31, 2008 is as follows:

Loan	Ending Balance 12/31/2007	Additions	Payments	Ending Balance 12/31/2008	Amount Due in One Year
OWDA #4371	\$1,265,514	\$44,704	\$12,585	\$1,297,633	\$28,273
OPWC #CR25G	293,863	-	12,458	281,405	6,322
<b>Total</b>	<b>\$1,559,377</b>	<b>\$44,704</b>	<b>\$25,043</b>	<b>\$1,579,038</b>	<b>\$34,595</b>

The outstanding OWDA and OPWC 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 is scheduled as follows:

Year Ending  
December 31:

	OPWC #CR25G		
	Principal	Interest	Total
2010	12,836	5,438	18,274
2011	13,094	5,180	18,274
2012	13,357	4,917	18,274
2013	13,625	4,648	18,273
2014	13,899	4,374	18,273
2015-2019	73,799	17,567	91,366
2020-2024	81,522	9,847	91,369
2024-2027	52,951	1,868	54,819
	<b>275,083</b>	<b>53,839</b>	<b>328,922</b>

Project loan #4371 has not been finalized with the OWDA; therefore, no amortization schedule has been created. As a result this loan is not shown on the above maturity schedule.

The District has pledged future water customer revenues to repay \$1,292,849 in an OWDA loan issued. Proceeds from the loan provided financing for the construction of the water tower and water lines. The loan is payable solely from water customer net revenues and are payable through 2029. Once the loan has been finalized with OWDA, additional information regarding future principal and interest requirements, net revenues and related information will be disclosed.

# BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2009 and 2008

## 6. DEFINED BENEFIT RETIREMENT PLAN

- A. Ohio Public Employees Retirement Systems of Ohio (PERS) 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.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. The 2009, 2008 and 2007 member contribution rates were 10.0%, 10.0%, and 9.5% for the District. For the District, the employer contribution rates were 14.0%, 14.0%, and 13.85% of covered payroll for the years ended December 31, 2009, 2008 and 2007, respectively. The District's contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were \$5,735, \$5,910 and \$5,688 respectively.

## 7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. 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 under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.



# BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2009 and 2008

## 7. POSTEMPLOYMENT BENEFITS (Continued)

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009 and 2008, the District contributed at 14% of covered payroll. In 2007, the District contributed at 13.85% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

For 2009 and 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, the employer contributions allocated to the health care plan from January 1 through June 30, 2007 and July 1, 2007 through December 31, 2007 was 5.0% and 6.0%, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$1,692 for 2009, \$1,745 for 2008, and \$1,679 for 2007.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

## 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.

**BISHOPVILLE WATER DISTRICT**

**Morgan County, Ohio**

**Notes to the Basic Financial Statements**

**December 31, 2009 and 2008**

**9. RESTATEMENT OF PRIOR YEAR NET ASSETS/CHANGE IN ACCOUNTING PRINCIPLES**

Restatement of prior year net assets –

The District made corrections to several errors in reporting capital assets and long term debt in prior years and made corrections for such errors effective January 1, 2008. The effect of these corrections on beginning net assets is shown below:

Net Assets – January 1, 2008	\$416,718
Corrections of errors	<u>326,566</u>
Net Assets – As Restated – January 1, 2008	<u>\$743,284</u>

Change in Accounting Principles –

For 2008, the District implemented GASB Statement No. 50, “Pension Disclosures—an Amendment of GASB Statements No. 25 and No. 27,” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the basic financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Required  
by *Government Auditing Standards***

Board of Trustees  
Bishopville Water District  
3758 Vicksville Lane  
Glouster, Ohio 45732

We have audited the financial statements of the business-type activities of Bishopville Water District, Morgan County, (the District) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2010, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statements No. 50 and No. 45. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-003 and 2009-004 described in the accompanying schedule of findings to be material weaknesses.

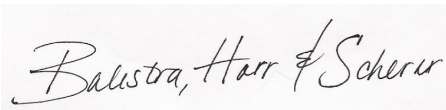
### **Compliance and Other Matters**

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 30, 2010.

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

We intend this report solely for the information and use of the management and the board of trustees. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2010

BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY  
DECEMBER 31, 2009 and 2008

SCHEDULE OF FINDINGS

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

**FINDING NUMBER 2009-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 states that total appropriations shall not exceed the total estimated resources. The District had appropriation exceeding the estimated resources for 2008 and 2009.

The District should monitor the appropriations so that they did not exceed estimated resources.

**Client's Response**

The Client chose not to responds to this issue.

**FINDING NUMBER 2009-002**

**Noncompliance Citation**

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 2008 and 2009.

The District plans to implement a purchase order system in the subsequent period.

The District pass an appropriation measure on or about the first day of the fiscal year, as well as implement a purchase order system.

**Client's Response**

This will be correct by year end.

BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY  
DECEMBER 31, 2009 and 2008

SCHEDULE OF FINDINGS

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

**FINDING NUMBER 2009-003**

**Material Weakness – Capital Asset Policies**

The District's capital asset listing did not agree to the capital assets recorded in the District's financial statements. The differences should be evaluated and corrected.

The District does not have a comprehensive capital assets policies and procedures manual to assist in defining items to be capitalized and depreciated. The lack of a comprehensive capital assets policies and procedures manual can result in errors and irregularities occurring and not being detected in a timely manner.

In order to address the items mentioned above, the District should implement the following procedures:

- Develop a comprehensive capital assets policies and procedures manual which encompasses all types of capital assets, including land, land improvements, plant, transmission system, office equipment, and any other capital assets. This manual needs to address capitalization areas such as dollar amounts over which items will be capitalized, potential capitalization or large batch purchases of capital assets under the dollar threshold, and estimated useful lives for various types of capital assets.
- Reconcile the detailed capital asset listing with the capital asset amounts reported in the financial statements and make appropriate corrections and adjustments to the District's capital asset records. Maintain a detailed file documenting differences noted, how items were corrected, and explanations regarding all changes made to the District's capital asset system.

**Client's Responses**

The Client chose not to respond to this issue.

**FINDING NUMBER 2009-004**

**Material Weakness – Prior Period Adjustments**

Prior period misstatements were identified during the course of the audit which were not prevented or detected by the District's internal controls over financial reporting. Misstatements were identified in the following areas:

- Long-term liabilities
- Capital assets

These misstatements were corrected in the accompanying financial statements.

The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

**Client's Responses**

The Client chose not to respond to this issue.

**BISHOPVILLE WATER DISTRICT  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2007-001	Noncompliance Citation – Ohio Revised Code Section 5705.38	Yes	
2007-002	Noncompliance Citation – Ohio Revised Code Section 5705.41(B)	No	Partially corrected will issue to management in a separate letter
2007-003	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	No	Reissued as finding number 2009-002
2007-004	Material Weakness – Monthly Bank Reconciliations	Yes	
2007-005	Material Weakness – Capital Asset Policies	No	Reissued as finding number 2009-003

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**Mary Taylor, CPA**  
Auditor of State

**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  
OCTOBER 12, 2010**