



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

BISHOPVILLE WATER DISTRICT MORGAN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2011 and 2010
Fiscal Years Audited Under GAGAS: 2011 and 2010



Dave Yost • Auditor of State

Board of Trustess
Bishopville Water District
3758 Vicksville Lane
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, 2010 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 18, 2012

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BISHOPVILLE WATER DISTRICT
Morgan County, Ohio

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Bishopville Water District
Morgan County
3758 Vicksville Lane
Glouster, Ohio 45732

To the Board of Trustees:

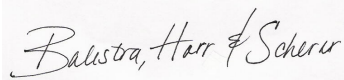
We have audited the accompanying financial statements of the business-type activities of the Bishopville Water District, Morgan County, Ohio (the District) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the 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 Bishopville Water District, Morgan County, Ohio, as of December 31, 2011 and 2010 and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Balestra, Harr & Scherer, CPAs, Inc.

June 15, 2012

Bishopville Water District
Morgan County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
(Unaudited)

This discussion and analysis, along with the accompanying financial reports, of Bishopville Water District ("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 the District exceeded total liabilities on December 31, 2011 by \$645,903 and on December 31, 2010 by \$654,458. The District's net assets decreased by \$8,555 (1.31%) in 2011 and increased by \$7,821 (1.21%) in 2010.

The District's operating revenues decreased by \$6,006 (2.45%) in 2011 and increased by \$25,759 (11.77%) in 2010. Operating and maintenance expenses (excluding depreciation expense) decreased by \$4,895 (3.13%) in 2011 and increased by \$10,797 (7.42%) in 2010. Depreciation expense increased \$49 (0.08%) in 2011 and remained the same in 2010 as compared to 2009.

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** includes 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, 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. They summarize the net changes in cash resulting from operating, investing, capital and non-capital financing activities.

The **Notes to the Basic Financial Statements** are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Bishopville Water District
Morgan County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
(Unaudited)

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", are capital assets less outstanding debt that was used to acquire those assets.

Table 1

	2011	2010	Difference	2009*	Difference
Current and Other Assets	\$ 63,631	\$ 76,974	\$ (13,343)	\$ 97,172	\$ (20,198)
Capital Assets	2,015,224	2,081,705	(66,481)	2,146,137	(64,432)
Total Assets	2,078,855	2,158,679	(79,824)	2,243,309	(84,630)
Noncurrent Liabilities	83,846	84,581	(735)	36,453	48,128
Current Liabilities	1,349,106	1,419,640	(70,534)	1,560,219	(140,579)
Total Liabilities	1,432,952	1,504,221	(71,269)	1,596,672	(92,451)
Net Assets					
Invested in Capital Assets, Net of Related Debt	595,584	592,856	2,728	562,971	29,885
Unrestricted	50,319	61,602	(11,283)	83,666	(22,064)
Total Net Assets	\$ 645,903	\$ 654,458	\$ (8,555)	\$ 646,637	\$ 7,821

* - As restated, see note 9.

The District's net assets decreased by \$8,555 (1.31%) in 2011 and increased by \$7,821 (1.21%) in 2010. The 2011 decrease is primarily due to a decrease in notes payable, which was partially offset by decreases in capital assets due to depreciation expense. The 2010 increase is primarily due to an increase in notes payable – current portion, which was offset by a decrease in notes payable as well as a decrease in capital assets due to depreciation expense.

Unrestricted net assets decreased by \$11,283 in 2011 and by \$22,064 in 2010. Unrestricted assets may be used without constraints established by bond covenants or other legal requirements. Unrestricted cash and cash equivalents decreased by \$15,644 in 2011 and decreased by \$19,758 in 2010. The decrease in unrestricted cash and cash equivalents in 2011 was primarily due to expenses in excess of revenues as a result of increased water purchase and increased interest expense associated with debt payments. The decrease in unrestricted cash and cash equivalents in 2010 was primarily due to expenses in excess of revenues as a result of increases in expenses for water purchases. The District also had to pay for audit costs which only occur every two years.

Bishopville Water District
Morgan County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
(Unaudited)

STATEMENTS OF CHANGES IN NET ASSETS

Table 2 below summarizes the changes in revenues and expenses and the resulting change in net assets.

Table 2

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009*</u>	<u>Difference</u>
Operating Revenues	\$ 238,643	\$ 244,649	\$ (6,006)	\$ 218,890	\$ 25,759
Total Operating Revenues	238,643	244,649	(6,006)	218,890	25,759
Operating Expenses (Excluding Depreciation)	151,322	156,217	(4,895)	145,420	10,797
Depreciation Expense	66,481	66,432	49	66,432	-
Total Operating Expenses	217,803	222,649	(4,846)	211,852	10,797
Operating Income	20,840	22,000	(1,160)	7,038	14,962
Non-Operating Revenues	134	355	(221)	291	64
Non-Operating Expenses	29,529	14,534	14,995	18,319	(3,785)
Changes in Net Assets	(8,555)	7,821	(16,376)	(10,990)	18,811
Net Assets at Beginning of Year	654,458	646,637	7,821	657,627	(10,990)
Net Assets at End of Year	\$ 645,903	\$ 654,458	\$ (8,555)	\$ 646,637	\$ 7,821

* - As restated, see note 9.

Operating revenues decreased \$6,006 (2.45%) in 2011 primarily due to a decrease in billing revenues as a result of increased delinquencies. Operating expenses, excluding depreciation, decreased \$4,895 (3.13%) in 2011 primarily due to a decrease in audit fees. Non-operating expenses increased \$14,995 (103.17%) in 2011 due to interest associated with the payment of OWDA and OPWC notes.

Operating revenues increased \$25,759 (11.77%) in 2010 primarily due to an increase in billing revenues as a result of a water rate increase as well as the completion of the expansion project, which added new customers. Operating expenses, excluding depreciation increased \$10,797 (7.42%) from 2009 to 2010 primarily due to increases in audit fees as well as an increase in water purchases due to the expansion project completion and the addition of new customers. The increase in audit fees relates to the audit which is done every two years.

Bishopville Water District
Morgan County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
(Unaudited)

CAPITAL ASSETS

The District had \$2.7 million invested in capital assets (before depreciation) at the end of both 2011 and 2010. There were no additions or disposals of capital assets during 2011. During 2010, there were additions of \$2,000 and no disposals.

Table 3

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009*</u>	<u>Difference</u>
Land	\$ 2,250	\$ 2,250	\$ -	\$ 2,250	\$ -
Plant	513,901	513,901	-	513,901	-
Water Tanks & Water Lines	2,145,368	2,145,368	-	2,143,368	2,000
Office Equipment	3,029	3,029	-	3,029	-
Totals Before Accumulated Depreciation	2,664,548	2,664,548	-	2,662,548	2,000
Accumulated Depreciation	(649,324)	(582,843)	(66,481)	(516,411)	(66,432)
Net Capital Assets	\$ 2,015,224	\$ 2,081,705	\$ (66,481)	\$ 2,146,137	\$ (64,432)

* - As restated, see note 9.

For additional information regarding capital assets, please see Note 4 to the basic financial statements.

DEBT

The District issues long term debt to finance much of its construction. Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) were used to finance most general improvement projects.

Table 4

	<u>2011</u>	<u>2010</u>	<u>Difference</u>	<u>2009</u>	<u>Difference</u>
Ohio Public Works Commission	\$ 245,887	\$ 259,045	\$ (13,158)	\$ 275,083	\$ (16,038)
Ohio Water Development Authority (O.W.D.A.)	1,173,753	1,229,804	(56,051)	1,308,083	(78,279)
Total Long Term Debt	1,419,640	1,488,849	(69,209)	1,583,166	(94,317)
Less: Current Maturities	70,534	69,209	1,325	22,947	46,262
Net Total Long Term Debt	\$ 1,349,106	\$ 1,419,640	\$ (70,534)	\$ 1,560,219	\$ (140,579)

For additional information regarding debt, please see Note 5 to the basic financial statements.

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

Statements of Net Assets
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 47,855	\$ 63,499
Accounts receivable	15,230	12,943
Allowance for Doubtful Accounts	(450)	(450)
Prepaid Assets	996	982
TOTAL CURRENT ASSETS	<u>63,631</u>	<u>76,974</u>
NONCURRENT ASSETS		
Capital Assets:		
Land	2,250	2,250
Office Equipment	3,029	3,029
Plant	513,901	513,901
Water Tanks and Water Lines	<u>2,145,368</u>	<u>2,145,368</u>
	2,664,548	2,664,548
Less: Accumulated depreciation	<u>(649,324)</u>	<u>(582,843)</u>
Net Capital Assets	<u>2,015,224</u>	<u>2,081,705</u>
TOTAL ASSETS	<u>\$ 2,078,855</u>	<u>\$ 2,158,679</u>

(Continued)

Bishopville Water District

Statements of Net Assets (Continued)
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 8,027	\$ 10,035
Payroll taxes accrued and withheld	2,793	2,715
Accrued interest payable	2,492	2,622
Notes payable - current portion	70,534	69,209
TOTAL CURRENT LIABILITIES	<u>83,846</u>	<u>84,581</u>
NONCURRENT LIABILITIES		
Notes payable - OWDA	1,116,576	1,173,753
Notes payable - OPWC	232,530	245,887
TOTAL NONCURRENT LIABILITIES	<u>1,349,106</u>	<u>1,419,640</u>
TOTAL LIABILITIES	<u>1,432,952</u>	<u>1,504,221</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	595,584	592,856
Unrestricted	50,319	61,602
TOTAL NET ASSETS	<u>\$ 645,903</u>	<u>\$ 654,458</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

Bishopville Water District

Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Water sales	\$ 237,743	\$ 239,449
Tap fees and other miscellaneous	900	5,200
TOTAL OPERATING REVENUES	<u>238,643</u>	<u>244,649</u>
OPERATING EXPENSES		
Wages	41,675	39,900
Water purchased	68,325	64,764
Utilities	4,964	5,193
Insurance	2,991	2,882
Payroll taxes	7,153	7,019
Legal and professional	2,185	1,905
Licenses and permits	1,073	88
Repair and maintenance	3,957	9,938
Board member salaries	4,750	4,640
Audit fees	-	7,200
Office expense	950	1,388
Water testing	3,543	2,483
Miscellaneous expense	490	464
Postage	2,087	1,480
Storage	480	440
Travel	6,484	5,639
Office rent	-	694
Dues and subscriptions	215	100
Depreciation	66,481	66,432
TOTAL OPERATING EXPENSES	<u>217,803</u>	<u>222,649</u>
OPERATING INCOME	<u>20,840</u>	<u>22,000</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	134	355
Interest expense	(29,529)	(14,534)
NET NONOPERATING REVENUES (EXPENSES)	<u>(29,395)</u>	<u>(14,179)</u>
CHANGES IN NET ASSETS	(8,555)	7,821
NET ASSETS, BEGINNING OF YEAR - as restated - See note 9	<u>654,458</u>	<u>646,637</u>
NET ASSETS, END OF YEAR	<u>\$ 645,903</u>	<u>\$ 654,458</u>

The accompanying notes to the basic financial statements are an integral part of these statements

Bishopville Water District

Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 235,456	\$ 240,871
Cash received for tap fees	900	5,200
Cash payments to suppliers for goods and services	(99,766)	(102,852)
Cash payments to employees for services and benefits	(53,500)	(52,352)
Net cash provided by operating activities	<u>83,090</u>	<u>90,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments	(69,209)	(94,317)
Interest payments	(29,659)	(14,663)
Acquisition of Capital Assets	-	(2,000)
Net cash used by capital and related financing activities	<u>(98,868)</u>	<u>(110,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>134</u>	<u>355</u>
Net decrease in cash and cash equivalents	(15,644)	(19,758)
Cash and cash equivalents, beginning of year	<u>63,499</u>	<u>83,257</u>
Cash and cash equivalents, end of year	<u>\$ 47,855</u>	<u>\$ 63,499</u>

(Continued)

Bishopville Water District

Statements of Cash Flows (Continued)
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 20,840	\$ 22,000
Adjustments to reconcile operating income to		
net cash provided by operating activities:		
Depreciation	66,481	66,432
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(2,287)	1,422
(Increase)/Decrease in prepaids	(14)	(982)
Increase/(Decrease) in accounts payable	(2,008)	2,788
Increase/(Decrease) in payroll taxes accrued and withheld	78	(793)
Total adjustments	<u>62,250</u>	<u>68,867</u>
Net cash provided by operating activities	<u>\$ 83,090</u>	<u>\$ 90,867</u>

The accompanying notes to the basic financial statements are an integral part of these statements.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

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
Homer Township, Morgan County
Union 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 significant accounting policies followed in the preparation of these financial statements conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type which the District uses is described below:

Proprietary Fund Type

This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

Enterprise Funds - This type of fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District's enterprise fund is described as follows:

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 statement of net assets. This measurement focus emphasizes the determination of net income. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., 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, 2011 and 2010

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 Board's 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.

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

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. 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. The District maintains a capitalization threshold of \$2,000. 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

F. 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.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Long-Term Obligations

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

H. 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.

I. 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 passbook accounts.

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

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;

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

3. CASH AND CASH EQUIVALENTS (Continued)

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.

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, 2011 and 2010 were \$47,855 and \$63,499 and the bank balances were \$89,983 and \$109,752. The entire bank balances for December 31, 2011 and 2010 were covered by the Federal Deposit Insurance Corporation. None of the balances were subject to custodial credit risk.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended December 31, 2011 was as follows:

	Ending Balance 12/31/10	Additions	Deletions	Ending Balance 12/31/11
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	2,145,368	-	-	2,145,368
Office Equipment	3,029	-	-	3,029
Total Capital Assets, Being Depreciated	2,662,298	-	-	2,662,298
Less Accumulated Depreciation:				
Plant	(420,075)	(12,848)	-	(432,923)
Water Tanks & Water Lines	(159,739)	(53,633)	-	(213,372)
Office Equipment	(3,029)	-	-	(3,029)
Total Accumulated Depreciation	(582,843)	(66,481)	-	(649,324)
Total Capital Assets Being Depreciated, Net	2,079,455	(66,481)	-	2,012,974
Total Capital Assets, Net	<u>\$ 2,081,705</u>	<u>\$ (66,481)</u>	<u>\$ -</u>	<u>\$ 2,015,224</u>

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

4. CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended December 31, 2010 was as follows:

	Ending Balance 12/31/09*	Additions	Deletions	Ending Balance 12/31/10
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	2,143,368	2,000	-	2,145,368
Office Equipment	3,029	-	-	3,029
Total Capital Assets, Being Depreciated	2,660,298	2,000	-	2,662,298
Less Accumulated Depreciation:				
Plant	(407,227)	(12,848)	-	(420,075)
Water Tanks & Water Lines	(106,155)	(53,584)	-	(159,739)
Office Equipment	(3,029)	-	-	(3,029)
Total Accumulated Depreciation	(516,411)	(66,432)	-	(582,843)
Total Capital Assets Being Depreciated, Net	2,143,887	(64,432)	-	2,079,455
Total Capital Assets, Net	<u>\$ 2,146,137</u>	<u>\$ (64,432)</u>	<u>\$ -</u>	<u>\$ 2,081,705</u>

*- As restated, see note 9.

5. LONG-TERM DEBT

Debt outstanding at December 31, 2011 is as follows:

Loan	Ending Balance 12/31/2010	Additions	Payments	Ending Balance 12/31/2011	Amount Due in One Year
OWDA #4371	\$1,229,804	\$ -	\$56,051	\$1,173,753	\$57,177
OPWC #CR25G	259,045	-	13,158	245,887	13,357
Total	<u>\$1,488,849</u>	<u>\$ -</u>	<u>\$69,209</u>	<u>\$1,419,640</u>	<u>\$70,534</u>

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

5. LONG-TERM DEBT (Continued)

Debt outstanding at December 31, 2010 is as follows:

Loan	Ending Balance 12/31/2009	Additions	Payments	Ending Balance 12/31/2010	Amount Due in One Year
OWDA #4371	\$1,308,083	\$ -	\$78,279	\$1,229,804	\$56,051
OPWC #CR25G	275,083	-	16,038	259,045	13,158
Total	<u>\$1,583,166</u>	<u>\$ -</u>	<u>\$94,317</u>	<u>\$1,488,849</u>	<u>\$69,209</u>

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		OWDA #4371		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	13,357	4,917	57,177	23,417	70,534	28,334
2013	13,625	4,648	58,327	22,268	71,952	26,916
2014	13,899	4,374	59,499	21,096	73,398	25,470
2015	14,178	4,095	60,695	19,900	74,873	23,995
2016	14,463	3,810	61,915	18,680	76,378	22,490
2017-2021	76,797	14,570	328,751	74,224	405,548	88,794
2022-2026	84,831	6,536	363,146	39,829	447,977	46,365
2027-2029	14,737	270	184,243	5,907	198,980	6,177
	<u>245,887</u>	<u>43,220</u>	<u>1,173,753</u>	<u>225,321</u>	<u>1,419,640</u>	<u>268,541</u>

The District has pledged future water customer revenues to repay \$1,173,753 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, 2011 and 2010

6. DEFINED BENEFIT RETIREMENT PLAN

The District's full-time and part-time employees belong to the Public Employees Retirement System of Ohio (OPERS).

Ohio Public Employees Retirement System

A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

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

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 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 2011, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0% for 2011, 2010, and 2009 for the District.

The employer contribution rates were 14.0% for 2011, 2010, and 2009 of covered payroll for the District.

The District's contributions to OPERS for the years ended December 31, 2011, 2010, and 2009 were \$5,835, \$5,586, and \$5,735, respectively, which were equal to the required contributions for those years.

7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

A. 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.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2011 and 2010

7. POSTEMPLOYMENT BENEFITS (Continued)

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, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- 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 2011, 2010, and 2009, the Village contributed at 14% 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 2011, the employer contributions allocated to the Traditional plan was 4.0%. For 2010, the employer contributions allocated to the Traditional plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 and for the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. For 2009, the employer contributions allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. 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 \$1,667 for 2011, \$2,025 for 2010 and \$1,692 for 2009, which were equal to the required contributions for each year.
- 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 on January 1 each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Notes to the Basic Financial Statements
December 31, 2011 and 2010

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.

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

Restatement of prior year net assets –

An adjustment was made in error to the prior audit, the effects of which incorrectly stated the capital assets value. A prior period adjustment has been made to correctly state the capital assets balance. The effect of this correction on beginning net assets is shown below:

Net Assets – January 1, 2010	\$760,191
Correction of Capital Assets	<u>(113,554)</u>
Net Assets – As Restated – January 1, 2010	<u>\$646,637</u>



Balestra, Harr & Scherer, CPAs, Inc.

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

Bishopville Water District
Morgan County
3758 Vicksville Lane
Glouster, Ohio 45732

To the Board of Trustees:

We have audited the financial statements of the business-type activities of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 15, 2012. 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 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.

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 certain deficiencies in internal control over financial reporting that we consider material weaknesses.

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 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 2011-002 and 2011-003 described in the accompanying schedule of findings to be material weaknesses.

Bishopville Water District

Morgan County

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

Page 2

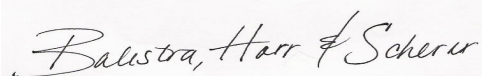
Compliance and Other Matters

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 one instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

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 15, 2012.

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 management, the Board of Trustees, and others within the District. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

June 15, 2012

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Schedule of Findings
December 31, 2011 and 2010

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

FINDING NUMBER 2011-001

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 during 2011 and 2010.

The District should implement a purchase order process, wherein the District notes the amount of expenditure that is certified, the date of the purchase order, and the certification of the Clerk that the funding is available and free of prior obligation.

Client’s Response

The District is improving the purchase order process to ensure proper encumbrance of funds prior to obligation.

FINDING NUMBER 2011-002

Material Weakness – Capital Asset Policies

The District does not have a comprehensive capital assets policy to assist in defining items to be capitalized and depreciated. The lack of a comprehensive capital assets policy can, and has, resulted in errors and irregularities occurring and not being detected in a timely manner, as well as a prior period adjustment that was necessary to properly state capital assets due to the lack of a formal capitalization threshold.

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

- Develop a comprehensive capital assets policy, which encompasses all types of capital assets, including land, land improvements, plant, transmission system, office equipment, and any other capital assets. This policy 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.

Client’s Responses

The District formally approved a capital assets policy at their Board meeting on June 12, 2012.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Schedule of Findings
December 31, 2011 and 2010

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

FINDING NUMBER 2011-003

Material Weakness – Supporting Documentation

The District was unable to provide documentation of board approval for the salaries and rates of pay for the clerk, trustees, or the part time employees. The lack of a formal resolution approving pay rates could lead to unauthorized pay or discrepancies with employees involving pay rates.

We recommend that the District formally pass a resolution establishing rates of pay for all personnel of the District.

Client's Responses

The District will pass a resolution documenting the approved rate of pay for all personnel of the District immediately.

BISHOPVILLE WATER DISTRICT
Morgan County, Ohio
Schedule of Prior Audit Findings
December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Noncompliance Citation – Ohio Revised Code Section 5705.39	Yes	
2009-002	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	No	Reissued as finding number 2011-001
2009-003	Material Weakness – Capital Asset Policies	No	Reissued as finding number 2011-002
2009-004	Material Weakness – Prior Period Adjustments	No	Reissued as part of finding number 2011-002

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Dave Yost • 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 2, 2012**