



Dave Yost • Auditor of State

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Statement of Net Position as of December 31, 2013 and 2012 | 8 |
| Statement of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2013 and 2012..... | 9 |
| Statement of Cash Flows for the Years Ended December 31, 2013 and 2012..... | 10 |
| Notes to the Basic Financial Statements | 11 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 23 |
| Schedule of Findings..... | 25 |
| Schedule of Prior Audit Findings..... | 27 |

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Western Guernsey Regional Water District
Guernsey County
61786 Shaw Road
Cambridge, Ohio 43725

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Guernsey Regional Water District, Guernsey County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Guernsey Regional Water District, Guernsey County, Ohio, as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2014

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

The discussion and analysis of the Western Guernsey Regional Water District's (the "District") financial performance provides an overall review of the District's financial activities for the years ended December 31, 2013 and 2012. Readers should also review the basic financial statements and notes to enhance their understanding of the Western Guernsey Regional Water District's financial performance.

Financial Highlights

Key financial highlights for 2013 and 2012 are as follows:

- Total operating revenues were \$700,460 and \$653,754 for 2013 and 2012 respectively, a 7 percent increase from 2012 to 2013.
- Total operating expenses were \$633,526 for 2013 and \$550,759 for 2012, an \$82,767 increase in expenses from 2012 to 2013.
- In 2012 net position increased \$99,621. Net position increased \$612,977 in 2013.
- Outstanding debt increased from \$142,119 to \$653,782 due to new debt proceeds.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect how the District did financially during the years ended December 31, 2013 and 2012. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting considers all of the District's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Water District has increased or decreased during the period. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Table 1 provides a summary of the District's Net Position as of December 31, 2013, 2012 and 2011.

| | Table 1 Net Position | | |
|----------------------------------|---------------------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Assets | | | |
| Current and Other Assets | \$ 389,861 | \$ 355,087 | \$ 301,852 |
| Noncurrent Assets | <u>1,625,162</u> | <u>214,040</u> | <u>207,426</u> |
| Total Assets | <u>2,015,023</u> | <u>569,127</u> | <u>509,278</u> |
| Liabilities | | | |
| Current Liabilities | 364,664 | 73,704 | 72,355 |
| Noncurrent Liabilities | <u>642,946</u> | <u>100,987</u> | <u>142,108</u> |
| Total Liabilities | <u>1,007,610</u> | <u>174,691</u> | <u>214,463</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 971,380 | 71,921 | 22,749 |
| Restricted | 138,071 | 112,375 | 89,350 |
| Unrestricted | <u>(102,038)</u> | <u>210,140</u> | <u>182,716</u> |
| Total Net Position | <u>\$1,007,413</u> | <u>\$ 394,436</u> | <u>\$ 294,815</u> |

Capital assets increased in year end 2013 by \$1,411,122, which is due to an increase in construction in progress for a waterline project. Total liabilities increased by \$832,919 in 2013. This increase is mainly due to loan proceeds from the Ohio Water Development Authority (OWDA) for a new waterline project. In 2013 the District's net position increased by \$612,977. This increase is mainly due to the \$549,397 debt forgiveness from the Ohio Water Development Authority (OWDA) for the waterline project.

The District's 2012 increase in total net position of \$99,621 was mainly due to an increase of accounts receivable, which was due to the timing of billings and a decrease in noncurrent liabilities due to principal payments made on debt during the year.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Table 2 shows the change in net position for the years ended December 31, 2013, 2012 and 2011.

**Table 2
Revenue and Expenses**

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---------------------------------|---------------------|-------------------|-------------------|
| Operating Revenues | | | |
| Charges for Services | \$ 700,460 | \$ 653,754 | \$ 578,615 |
| Non-Operating Revenues | | | |
| Intergovernmental Revenue | 549,397 | 0 | 0 |
| Interest | 472 | 388 | 329 |
| Miscellaneous | 2,976 | 3,466 | 3,040 |
| Total Revenues | <u>1,253,305</u> | <u>657,608</u> | <u>581,984</u> |
| Operating Expenses | | | |
| Contract Services | 312,037 | 227,697 | 224,229 |
| Professional Fees | 5,103 | 15,595 | 5,041 |
| Advertising | 162 | 146 | 41 |
| Bank Charges | 390 | 540 | 290 |
| Wages | 121,371 | 117,097 | 110,449 |
| Employee Benefits | 18,752 | 18,092 | 17,064 |
| Postage and Office Supplies | 13,576 | 10,904 | 9,798 |
| Group Insurance | 13,680 | 14,135 | 19,741 |
| Insurance | 8,251 | 10,816 | 4,070 |
| Small Tools and Supplies | 52,248 | 28,744 | 35,518 |
| Ground Maintenance | 521 | 97 | 1,193 |
| Rentals | 0 | 2,600 | 210 |
| Workers compensation | 1,000 | 2,582 | 1,965 |
| Outside Services | 2,282 | 2,049 | 2,440 |
| Depreciation | 14,451 | 17,032 | 18,163 |
| Dues and Subscriptions | 3,078 | 2,718 | 2,740 |
| Vehicle Expense | 13,992 | 14,812 | 12,997 |
| Phone and Utilities | 27,410 | 25,150 | 25,467 |
| Licenses and Permits | 2,185 | 2,220 | 13,947 |
| Repairs | 21,986 | 36,799 | 6,696 |
| Real Estate Taxes | 0 | 0 | 306 |
| Miscellaneous | 1,051 | 934 | 938 |
| Non-Operating Expenses | | | |
| Interest Expense | 6,802 | 7,228 | 9,970 |
| Total Expenses | <u>640,328</u> | <u>557,987</u> | <u>523,273</u> |
| Change in Net Position | 612,977 | 99,621 | 58,711 |
| Net Position Beginning of Year | 394,436 | 294,815 | 236,104 |
| Net Position End of Year | <u>\$ 1,007,413</u> | <u>\$ 394,436</u> | <u>\$ 294,815</u> |

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Operating revenues consisted of user charges for water consumption. Operating expenses reflect the cost of providing these services. In 2013 net position increased \$612,977. This increase is mainly due to the \$549,397 debt forgiveness from the Ohio Water Development Authority (OWDA) for the waterline project. Net position increased in 2012 due to an increase in revenues of \$75,624.

Capital Assets and Debt Administration

Capital Assets

Table 3 provides a summary of the District's capital assets as of December 31, 2013, 2012 and 2011.

**Table 3
Capital Assets at December 31
(Net of Accumulated Depreciation)**

| | 2013 | 2012 | 2011 |
|--------------------------|---------------------|-------------------|-------------------|
| Buildings & Improvements | \$ 24,378 | \$ 27,343 | \$ 30,308 |
| Infrastructure | 36,275 | 38,856 | 45,193 |
| Machinery & Equipment | 10,279 | 15,186 | 20,244 |
| Vehicles | 19,658 | 17,401 | 0 |
| Office Equipment | 195 | 244 | 331 |
| Construction in process | 1,521,877 | 102,510 | 98,850 |
| Land | 12,500 | 12,500 | 12,500 |
| Total | \$ 1,625,162 | \$ 214,040 | \$ 207,426 |

During 2010, the District started a new construction project for waterlines, which has carried over to 2013. Depreciation expense amounted to \$14,451, \$17,032 and \$18,163 during 2013, 2012 and 2011, respectively. Note 6 provides capital asset activity during the 2013 and 2012.

Debt Administration

The outstanding debt for the District at December 31, is summarized in table 4.

**Table 4
Outstanding Debt, at December 31**

| | 2013 | 2012 | 2011 |
|--|-------------------|-------------------|-------------------|
| Notes payable - Berkadia Commercial Mortgage LLC | \$ 100,793 | \$ 142,119 | \$ 184,677 |
| Ohio Water Development Authority (OWDA) | 552,989 | 0 | 0 |
| Total | \$ 653,782 | \$ 142,119 | \$ 184,677 |

Additional information concerning the District's debt can be found in Note 5 to the basic financial statements. During 2013, the District issued an OWDA loan in the amount of \$1,102,386 for the construction of a waterline, of which \$549,397 was forgiven by OWDA.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Michele Swingle, Clerk, Western Guernsey Regional Water District, 61786 Shaw Road, Cambridge, Ohio 43725-9441.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---------------------------------------|--------------|-------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash equivalents | \$ 43,033 | \$ 54,061 |
| Segregated Accounts: | | |
| Indebt Service | 38,725 | 35,114 |
| Capital Improvement | 99,346 | 77,261 |
| Short Term Investment | 54,075 | 54,075 |
| Accounts Receivable | 98,310 | 91,574 |
| Inventories | 56,372 | 43,002 |
| Total Current Assets | 389,861 | 355,087 |
| Noncurrent Assets: | | |
| Capital Assets | | |
| Buildings and Improvements | 97,242 | 97,242 |
| Infrastructure | 924,585 | 924,585 |
| Machinery and Equipment | 50,987 | 50,987 |
| Vehicles | 67,470 | 61,265 |
| Office Equipment | 1,439 | 1,439 |
| | 1,141,723 | 1,135,518 |
| Less: Accumulated Depreciation | (1,050,938) | (1,036,488) |
| | 90,785 | 99,030 |
| Land | 12,500 | 12,500 |
| Construction in Process | 1,521,877 | 102,510 |
| Total Noncurrent Assets | 1,625,162 | 214,040 |
| Total Assets | \$ 2,015,023 | \$ 569,127 |
| Current Liabilities | | |
| Current Portion, Long Term Debt | \$ 10,836 | \$ 41,132 |
| Accounts Payable | 24,785 | 20,534 |
| Contracts Payable | 249,726 | 0 |
| Retainage Payable | 68,385 | 0 |
| Accrued Liabilities | 6,790 | 7,987 |
| Customer Deposits | 4,142 | 4,051 |
| Total Current Liabilities | 364,664 | 73,704 |
| Noncurrent Liabilities | | |
| Long-Term Debt Net of Current Portion | 642,946 | 100,987 |
| Total Noncurrent Liabilities | 642,946 | 100,987 |
| Total Liabilities | 1,007,610 | 174,691 |
| NET POSITION: | | |
| Net Investment in Capital Assets | 971,380 | 71,921 |
| Restricted for Debt Service | 38,725 | 35,114 |
| Restricted for Capital Improvements | 99,346 | 77,261 |
| Unrestricted | (102,038) | 210,140 |
| Total Net Position | 1,007,413 | 394,436 |
| Total Liabilities and Net Position | \$ 2,015,023 | \$ 569,127 |

See accompanying notes to the basic financial statements.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**STATEMENTS OF REVENUE AND EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|--|--------------|------------|
| Operating Revenue: | | |
| Charges for Services | \$ 700,460 | \$ 653,754 |
| Operating Expenses: | | |
| Contract Services | 312,037 | 227,697 |
| Professional Fees | 5,103 | 15,595 |
| Advertising | 162 | 146 |
| Bank Charges | 390 | 540 |
| Wages | 121,371 | 117,097 |
| Employee Benefits | 18,752 | 18,092 |
| Postage and Office Supplies | 13,576 | 10,904 |
| General Insurance | 8,251 | 10,816 |
| Group Insurance | 13,680 | 14,135 |
| Workers Compensation | 1,000 | 2,582 |
| Small Tools and Supplies | 52,248 | 28,744 |
| Ground Maintenance | 521 | 97 |
| Rentals | 0 | 2,600 |
| Outside Services | 2,282 | 2,049 |
| Depreciation | 14,451 | 17,032 |
| Dues and Subscriptions | 3,078 | 2,718 |
| Vehicle Expense | 13,992 | 14,812 |
| Phone and Utilities | 27,410 | 25,150 |
| Licenses and permits | 2,185 | 2,220 |
| Repairs | 21,986 | 36,799 |
| Miscellaneous | 1,051 | 934 |
| Total Operating Expenses | 633,526 | 550,759 |
| Operating Income | 66,934 | 102,995 |
| Non-Operating Revenues (Expenses): | | |
| Intergovernmental Revenue | 549,397 | 0 |
| Rental Income | 1,020 | 1,020 |
| Hydrant Assessments | 1,700 | 900 |
| Gain on Sale of asset | 0 | 650 |
| Miscellaneous | 256 | 896 |
| Interest Earned | 472 | 388 |
| Interest Expense | (6,802) | (7,228) |
| Total Non-Operating Revenue (Expenses) | 546,043 | (3,374) |
| Increase in Net Position | 612,977 | 99,621 |
| Net Position, Beginning of Period | 394,436 | 294,815 |
| Net Position, End of Period | \$ 1,007,413 | \$ 394,436 |

See accompanying notes to the basic financial statements.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---|-------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 693,724 | \$ 650,608 |
| Cash paid to suppliers and employees | (628,062) | (554,126) |
| Net cash provided by operating activities | 65,662 | 96,482 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Rental Income | 1,020 | 1,020 |
| Hydrant Assessments | 1,700 | 900 |
| Miscellaneous | 256 | 896 |
| Net cash provided by noncapital financing activities | 2,976 | 2,816 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 472 | 388 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Intergovernmental Revenue | 549,397 | 0 |
| Proceeds of OWDA Loans | 1,102,386 | 0 |
| Proceeds From the Sale of Equipment | 0 | 650 |
| Purchase of capital assets | (1,107,461) | (23,647) |
| Payments of long-term debt | (590,723) | (42,558) |
| Interest paid | (8,041) | (7,228) |
| Net cash used for capital and related financing activities | (54,442) | (72,783) |
| Net increase in cash | 14,668 | 26,903 |
| Cash and Cash Equivalents beginning of period | 166,436 | 139,533 |
| Cash and Cash Equivalents end of period | \$ 181,104 | 166,436 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating Income | \$ 66,934 | 102,995 |
| Adjustments to reconcile operating income to net cash provided by | | |
| Operating activities | | |
| Depreciation | 14,451 | 17,032 |
| (Increase) Decrease in Assets: | | |
| Accounts receivable | (6,736) | (16,839) |
| Inventory | (13,370) | (9,492) |
| Increase (Decrease) in Liabilities: | | |
| Accounts payable | 4,251 | 5,300 |
| Accrued payroll taxes | 41 | (2,615) |
| Customer deposits | 91 | 101 |
| Net cash provided by operating activities | \$ 65,662 | 96,482 |

See accompanying notes to the basic financial statements.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Western Guernsey Regional Water District Guernsey County (the "District") was organized under the provisions of Section 6119 of the Ohio Revised Code on June 1, 2004. Prior to that date, the District was operated as a not-for-profit corporation known as Western Guernsey Services Company. The District furnishes water service to customers in the rural areas of Guernsey County, Ohio. Customers are billed on a monthly basis for water used and are included in accounts receivable until paid.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 most significant of the District's accounting policies are described below.

The District's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

Measurement Focus and Basis of Accounting

Transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statement of net position. Net position (i.e., equity) is segregated into net investment in capital assets, restricted for purpose, and unrestricted components. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its enterprise activity.

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. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Unbilled service charges receivable are recognized as revenue at year end. Expenses are recognized at the time they are incurred.

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.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Accounts Receivable

Bad debts expense has been minimal and, as a result, accounts receivable do not include an allowance for doubtful accounts. The District has the ability under the provision of Ohio Rev. Code Section 6119.06 (W) to certify unpaid charges to the County Auditor and place a lien upon the property.

Inventory

Inventory consists of water meters and repair parts. Inventory is stated at the lower of cost or market value based on the first-in, first-out method (FIFO) and is expensed when used.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation for financial reporting purposes is based on the following policies:

| <u>Description</u> | <u>Estimated Life</u> | <u>Method</u> |
|----------------------------|-----------------------|----------------------------------|
| Land | N/A | N/A |
| Construction in Progress | N/A | N/A |
| Buildings and Improvements | 10-40 years | Straight line |
| Infrastructure | 10-40 years | Straight line |
| Machinery and Equipment | 5-10 years | Straight line |
| Vehicles | 5-10 years | Straight line and accelerated |
| Office Equipment | 5-10 years | Straight line and accelerated |

Long-Term Obligations

The District records obligations not expected to be financed within one year by available financial resources as long-term debt, which consisted of Berkadia Commercial Mortgage LLC notes (formerly GMAC Commercial Mortgage Corporation) and a Ohio Water Development Authority (OWDA) Loan.

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation of the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Accumulated Leave

All full time permanent employees are entitled to vacation leave, with pay, after the completion of one full year of employment. Vacation leave must be taken by the employee during the year following that in which it was accrued however in special cases the Board may permit an employee to carry over vacation leave to the following year. In no case is any employee allowed to carry over more than one year's accrued vacation for longer than two years. At the time of separation, an employee is entitled to compensation at their current rate of pay for the pro-rated portion of any earned but unused vacation leave for the current year and for any unused vacation leave from a prior period accrued to the employee's credit with the approval of the Board.

All employees earn sick leave at the rate of 4.6 hours for each 80 hours in active pay status. Employees with a minimum of ten years of service may receive 25% of their accumulated sick leave, not to exceed thirty days, upon retirement through PERS.

As of December 31, 2013 the District's employees had not accrued any significant leave balances.

Revenue and Expenses

Operating revenues and expenses result from providing water conveyance services. Operating revenues consist of user charges for water services based on water consumption. Operating expenses include the cost of these water services, including administrative expenses. Revenues and expenses which do not meet these definitions are reported as Non-Operating Revenues or Expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

State statute outlines allowable deposits and investments for the District. The District may invest in certificates of deposit, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

Cash on Hand

For the years ended December 31, 2013 and 2012, the District had \$268 and \$200 respectively, in undeposited cash on hand which is included as part of "Cash and Cash Equivalents."

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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. For the years ended December 31, 2013 and 2012, the District's deposits were \$234,911 and \$220,311, and the bank balances were \$243,610 and \$222,762, respectively. Of the bank balances, all amounts were covered by FDIC insurance.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 3: SEGREGATED ACCOUNTS

The District is required by loan covenants with Berkadia, formerly GMAC, to segregate amounts for debt service and capital reserve. These balances are maintained in bank accounts separate from the general account.

NOTE 4: RECEIVABLES

Receivables at December 31, 2013 consisted of \$98,310 in water service billings due from water system users during January and February 2014. Receivables at December 31, 2012 consisted of \$91,574 in water service billings due from water system users during January and February 2013.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 5: LONG-TERM DEBT OBLIGATIONS

The District had the following long-term debt obligations as of December 31, 2013 and December 31, 2012:

| | 2013 | 2012 |
|--|-------------|-------------|
| Note payable - Berkadia Commercial Mortgage LLC, formerly GMAC issued in May 1981, collateralized by all properties considered part of the water system. Annual payments of \$35,913 include interest at 5%. Final payment due May 2013. | \$ 0 | \$ 30,821 |
| | | |
| Note payable - Berkadia Commercial Mortgage LLC, formerly GMAC issued in May 1971, collateralized by all properties considered part of the water system. Annual payments of \$15,876 include interest at 5%. Final payment due May 2020. | 100,793 | 111,298 |
| | | |
| Notes payable - Ohio Water Development Authority (OWDA) Loan, issued February 2013. Payments will begin after the loan has been fully disbursed. The payments will include interest at 1.75%. Final payment will be made January 2044. | 552,989 | 0 |
| | | |
| Total Long-Term Obligations | 653,782 | 142,119 |
| less: current portion | 10,836 | 41,132 |
| Long-term Debt, net of current portion | \$ 642,946 | \$ 100,987 |

During the year ended December 31, 2013, principal payments amounted to \$30,821 on the 1981 Note Payable and \$10,505 on the 1971 Note Payable. During year ended December 31, 2013 the District entered into a loan for \$1,850,553 with the OWDA for a waterline replacement. As of December 31, 2013, \$1,102,386 has been drawn down on the loan. The OWDA forgave \$549,397 of the loan. During the year ended December 31, 2012, principal payments amounted to \$32,762 on the 1981 Note Payable and \$9,796 on the 1971 Note Payable. Balances at January 1, 2012 of the 1981 Note Payable and 1971 Note Payable were \$65,583 and \$121,094, respectively.

At December 31, 2013 the OWDA loan had not been fully disbursed and the amortization schedule is not complete. Therefore, this loan is not reflected in the schedule below.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

| Year-Ending December 31: | Berkadia Loans | |
|-----------------------------|-------------------|------------------|
| | Principal | Interest |
| 2014 | \$ 10,836 | \$ 5,040 |
| 2015 | 11,379 | 4,499 |
| 2016 | 11,947 | 3,929 |
| 2017 | 12,544 | 3,331 |
| 2018 | 13,172 | 2,045 |
| 2019-2020 | 40,915 | 4,028 |
| Total | <u>\$ 100,793</u> | <u>\$ 22,872</u> |

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**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6: CAPITAL ASSETS

Capital Asset activity for the years ended December 31, 2013 and 2012 were as follows:

| | Balance | | | Balance |
|--|--------------------|---------------------|------------------|---------------------|
| | 1/1/13 | Additions | Deletions | 12/31/13 |
| Nondepreciable Capital Assets | | | | |
| Land | \$ 12,500 | \$ 0 | \$ 0 | \$ 12,500 |
| Construction in Progress | 102,510 | 1,419,367 | 0 | 1,521,877 |
| Total Nondepreciable Capital Assets | 115,010 | 1,419,367 | 0 | 1,534,377 |
| Depreciable Capital Assets | | | | |
| Buildings & Improvements | 97,242 | 0 | 0 | 97,242 |
| Infrastructure | 924,585 | 0 | 0 | 924,585 |
| Machinery & Equipment | 50,987 | 0 | 0 | 50,987 |
| Vehicles | 61,265 | 6,205 | 0 | 67,470 |
| Office Equipment | 1,439 | 0 | 0 | 1,439 |
| Total Depreciable Capital Assets | 1,135,518 | 6,205 | 0 | 1,141,723 |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | (69,899) | (2,965) | 0 | (72,864) |
| Infrastructure | (885,729) | (2,581) | 0 | (888,310) |
| Machinery & Equipment | (35,801) | (4,907) | 0 | (40,708) |
| Vehicles | (43,864) | (3,948) | 0 | (47,812) |
| Office Equipment | (1,195) | (49) | 0 | (1,244) |
| Total Accumulated Depreciation | (1,036,488) | (14,450) | 0 | (1,050,938) |
| Depreciable Capital Assets, Net of Accumulated Depreciation | | | | |
| | 99,030 | (8,245) | 0 | 90,785 |
| Total Capital Assets | \$ 214,040 | \$ 1,411,122 | \$ 0 | \$ 1,625,162 |

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

| | <u>Balance</u> <u>1/1/12</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/12</u> |
|--|---------------------------------|------------------|------------------|-----------------------------------|
| Nondepreciable Capital Assets | | | | |
| Land | \$ 12,500 | \$ 0 | \$ 0 | \$ 12,500 |
| Construction in Progress | 98,850 | 3,660 | 0 | 102,510 |
| Total Nondepreciable Capital Assets | 111,350 | 3,660 | 0 | 115,010 |
| Depreciable Capital Assets | | | | |
| Buildings & Improvements | 97,242 | 0 | 0 | 97,242 |
| Infrastructure | 924,585 | 0 | 0 | 924,585 |
| Machinery & Equipment | 50,987 | 0 | 0 | 50,987 |
| Vehicles | 42,499 | 19,736 | (970) | 61,265 |
| Office Equipment | 2,088 | 250 | (899) | 1,439 |
| Total Depreciable Capital Assets | 1,117,401 | 19,986 | (1,869) | 1,135,518 |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | (66,934) | (2,965) | 0 | (69,899) |
| Infrastructure | (879,392) | (6,337) | 0 | (885,729) |
| Machinery & Equipment | (30,743) | (5,058) | 0 | (35,801) |
| Vehicles | (42,499) | (2,335) | 970 | (43,864) |
| Office Equipment | (1,757) | (337) | 899 | (1,195) |
| Total Accumulated Depreciation | (1,021,325) | (17,032) | 1,869 | (1,036,488) |
| Depreciable Capital Assets, Net of Accumulated Depreciation | | | | |
| | 96,076 | 2,954 | 0 | 99,030 |
| Total Capital Assets | \$ 207,426 | \$ 6,614 | \$ 0 | \$ 214,040 |

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7: OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is 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, but less than, 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.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll.

The District's 2013 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

The District's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$15,778, \$11,710, and \$11,045, respectively. 100 percent has been contributed for all years.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 8: POSTEMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – 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 health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined 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-employment 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 Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – 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 OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$1,214, \$4,684 and \$4,418, respectively. 100 percent has been contributed for all years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, inquiries to employees and natural disasters. Significant risk of losses is covered by commercial insurance. The District has not significantly reduced this coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

NOTE 10: CHANGES IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2013, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,*" GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" and GASB Statement No. 66, "*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*"

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 11: COMPLIANCE

The District did not formally adopt an operating budget or follow the other budgetary processes outlined by Ohio Rev. Code Section 5705.28(B)(2)(a).



Dave Yost • Auditor of State

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

Western Guernsey Regional Water District
Guernsey County
61786 Shaw Road
Cambridge, Ohio 43725

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Western Guernsey Regional Water District, Guernsey County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2014

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

According to Ohio Rev. Code § 5705.28(B)(2)(b), although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a water district is still required to follow these Ohio Rev. Code §§: 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the District to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Concerning the prior certification of the availability of funds prior to incurring obligations, Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contract and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificates – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance of the District upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-001 (Continued)

Noncompliance - Ohio Rev. Code § 5705.28(B)(2)(a) (Continued)

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The District did not comply with the aforementioned budgetary laws for the periods ended December 31, 2012 and 2013. The District did not pass appropriations; therefore, the District was unable to monitor operations via the control that budgeting provides.

The District’s accounting system did not allow for integration of budget information or encumbrances. Budgeted amounts of receipts and disbursements integrated into the District’s accounting system would allow for meaningful comparisons between the budgeted and actual figures.

We recommend the District pass appropriations and integrate the budgetary information in the accounting system.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used.

We recommend the District certify purchases to which Ohio Rev. Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the District incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The District should post approved purchase commitments to the proper appropriation code in the accounting system, to reduce the available appropriation.

Officials’ Response: We did not receive a response from Officials to this finding.

**WESTERN GUERNSEY REGIONAL WATER DISTRICT
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013-2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|--|------------------|---|
| 2011-01 | Noncompliance under Ohio Rev. Code §§ 5705.28(B) and 5705.41(D) - the District did not comply with budgetary laws. | No | Not Corrected. Repeated as Finding 2013-001. |

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Dave Yost • Auditor of State

WESTERN GUERNSEY REGIONAL WATER DISTRICT

GUERNSEY 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
NOVEMBER 13, 2014**