



Dave Yost • Auditor of State

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bishopville Water District
Morgan County
P.O. Box 130
Glouster, Ohio 45732

To the Board of Trustees:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balance, receipts and disbursements, and related notes of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the District prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Bishopville Water District, Morgan County as of December 31, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, 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 20, 2016

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCE (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Operating Cash Receipts:		
Charges for Services	\$257,249	\$259,912
Penalties and Fees	2,356	0
Tap Fees and Other Miscellaneous	3,500	4,980
	<u>263,105</u>	<u>264,892</u>
<i>Total Operating Cash Receipts</i>		
Operating Cash Disbursements:		
Wages	44,736	43,692
Water Purchases	64,561	70,275
Capital Outlay	18,594	47,539
Utilities	5,849	4,601
Insurance	5,217	3,291
Payroll Taxes	8,015	7,694
Legal and Professional	1,505	1,845
Audit Fees	1,415	7,521
License and Permits	1,071	1,222
Repairs and Maintenance	6,654	7,558
Board Member Salaries	4,100	4,950
Office Expense	835	754
Water Testing	2,116	1,909
Mileage Reimbursement	6,105	6,808
Miscellaneous	299	347
Postage	2,121	2,887
Dues and Subscriptions	0	100
	<u>173,193</u>	<u>212,993</u>
<i>Total Operating Cash Disbursements</i>		
	<u>89,912</u>	<u>51,899</u>
<i>Operating (Loss)</i>		
Non-Operating Cash Receipts:		
Interest	103	103
Intergovernmental Revenues	52,180	0
Proceeds from Sale of Public Debt:		
Sale of Notes	0	47,254
	<u>52,283</u>	<u>47,357</u>
<i>Total Non-Operating Cash Receipts</i>		
Non-Operating Cash Disbursements:		
Principal Payments	91,919	70,239
Interest and Fiscal Charges	17,064	25,736
	<u>108,983</u>	<u>95,975</u>
<i>Total Non-Operating Cash Disbursements</i>		
	<u>33,212</u>	<u>3,281</u>
<i>Net Receipts (Under) Disbursements</i>		
Cash Balance, January 1	<u>52,604</u>	<u>49,323</u>
<i>Cash Balance, December 31</i>	<u>\$85,816</u>	<u>\$52,604</u>

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

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**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Bishopville Water District (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Athens and Morgan Counties on November 8, 1999. The District operates under the direction of a five member board of trustees. The staff, consisting of an appointed Board Treasurer, a distribution superintendent, and an office manager, is responsible for 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 water district 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 District's management believes these financial statements present all activities for which the District is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

2. Estimated Resources

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

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

D. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Demand deposits	\$85,816	\$52,604

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$318,110	\$315,388	(\$2,722)

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$317,034	\$282,176	\$34,858

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$305,324	\$312,249	\$6,925

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$310,674	\$308,968	\$1,706

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. DEBT

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #6238	\$18,850	2%
Ohio Water Development Authority Loan #4371	971,495	2%
Ohio Public Works Commission Loan #CR25G	194,094	2%
Total	\$1,184,439	

The OWDA #4371 and OPWC CR25G loans were used for plant expansion in order to serve the increasing number of customers. The original balance of OWDA Loan #4371 was \$1,310,777 and the original balance of the OPWC CR25G loan was \$300,000. The OWDA #6238 loan was used for the State Route 78 Waterline Replacement project. The original balance of the loan was \$20,386. The revenue of the District has been pledged to repay this debt.

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

Year ending December 31:	OWDA Loan #6238	OWDA Loan #4371	OPWC Loan #CR25G
2016	\$907	\$80,595	\$18,273
2017	907	80,595	18,273
2018	907	80,595	18,274
2019	907	80,595	18,274
2020	907	80,595	18,274
2021-2025	4,535	402,975	91,375
2026-2030	4,535	322,380	36,550
2031-2035	4,535		
2036-2040	4,535		
2041-2042	1,814		
Total	\$24,489	\$1,128,330	\$219,293

The OWDA #4371 and OPWC CR25G loans were used for plant expansion in order to serve the increasing number of customers. The original balance of OWDA Loan #4371 was \$1,310,777 and the original balance of the OPWC CR25G loan was \$300,000. The OWDA #6238 loan was used for the State Route 78 Waterline Replacement project. The original balance of the loan was \$20,386. The revenue of the District has been pledged to repay this debt.

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2015.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. 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 and there have been no significant reductions in insurance coverage from the prior years.

Workers compensation benefits are provided through the State Bureau of Workers' Compensation.

9. CONTINGENT LIABILITIES

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

10. SUBSEQUENT EVENTS

On May 5, 2015, the District was awarded an Appalachian Regional Commission Program (ARC) grant for \$250,000, along with \$540,500 in OPWC funding for a Water Facilities Improvement Project. Grant funding was not received until 2016. The project is still pending completion.



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

Bishopville Water District
Morgan County
P.O. Box 130
Glouster, Ohio 45732

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 statement of the cash balance, receipts, and disbursements of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement and have issued our report thereon dated October 20, 2016, wherein we noted the District followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statement, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain a deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Responses to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 20, 2016

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

For the year ended December 31, 2014:

- The District did not post the proceeds of OWDA Loan #6705 of \$47,254 or the related Capital Outlay in the same amount.
- Principle payments totaling \$34,198 and Interest payments totaling \$993 were incorrectly classified as Capital Outlay expenditures.

As a result, significant adjustments, with which the District's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the District take additional care in posting transactions to the District's ledgers in order to ensure the financial statements reflect accurate beginning balances, debt disbursement amounts and fund balance classifications.

Official's Response: We will make sure transactions are posted correctly.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	A noncompliance and material weakness for material mispostings requiring financial statement adjustment.	No	Repeated as Finding Number 2015-001



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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
NOVEMBER 10, 2016**