

**Morgan-Meigsville Rural Water District
Morgan County**

For the Years ended December 31, 2002 and 2001



**Auditor of State
Betty Montgomery**

Board of Trustees
Morgan Meigsville Rural Water District
P.O. Box 456
McConnelsville, OH 43756

We have reviewed the Independent Auditor's Report of the Morgan Meigsville Rural Water District, Morgan County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2001 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Morgan Meigsville Rural Water District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 22, 2003

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

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Morgan-Meigsville Rural Water District
McConnelsville, Ohio

We have audited the accompanying financial statements of Morgan-Meigsville Rural Water District as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

As discussed in Note 1, the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting prescribed or permitted by the Auditor of State, other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash position of Morgan-Meigsville Rural Water District as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2003, on our consideration of Morgan-Meigsville Rural Water District's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 3, 2003

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
CASH RECEIPTS:		
Charges for Services	\$ 138,482	\$ 123,872
Interest	333	2,512
Tap Fees	5,500	7,000
Note Proceeds	20,132	53,420
Grants	-	250,000
All other revenue	<u>4,358</u>	<u>23,905</u>
TOTAL CASH RECEIPTS	<u>168,805</u>	<u>460,709</u>
CASH DISBURSEMENTS:		
Contract Labor	18,906	156,241
Insurance	2,482	2,301
Lab Fees	1,110	789
Miscellaneous	958	1,836
Office Supplies/Equipment	338	539
Repair/Material Supplies	12,166	50,427
Postage	1,185	1,052
Recording/Filing Fees	-	266
Salaries	29,529	26,174
Medical Insurance	5,341	6,730
Mileage and Expense Reimbursement	286	349
Gasoline	2,664	3,469
Truck Expense	369	2,777
Tractor Purchase/Expense	15	11,821
Pension-PERS	7,416	4,644
Payroll Taxes	4,375	4,075
Utilities	2,358	2,094
Water Purchase	23,105	19,364
Audit	93	5,613
Bank Charges	89	285
Debt Service:		
Principal	39,739	218,315
Interest	<u>13,091</u>	<u>13,335</u>
TOTAL CASH DISBURSEMENTS	<u>165,615</u>	<u>532,496</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	3,190	(71,787)
FUND CASH BALANCES, JANUARY 1	<u>13,207</u>	<u>84,994</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$ 16,397</u>	<u>\$ 13,207</u>

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Morgan-Meigsville Rural Water District, Morgan County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a five member Board of Directors appointed by the Morgan County Common Pleas court Judge. The District provides water utility services to residents of the Morgan Township, Bristol Township, and Meigsville Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report expenditures when a commitment is made (i.e., when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Investments are reported assets and are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account for all financial resources except for those required to be accounted for in another fund.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

E. Budgetary process

The District's Board of Directors currently do not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. The district must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. Equity in Pooled Cash and Investments

The District maintains cash used by the General fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2002	2001
Demand deposits	\$ 16,397	\$ 13,207

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Debt

Debt outstanding at December 31, 2002 and 2001 was as follows:

	2002 Principal	%	2001 Principal	%
OWDA Loan	\$ 150,679	6.91	\$ 155,286	6.91
First National Bank	20,132	5.50	-	-
Total	\$ 170,811		\$ 155,286	

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Debt (Continued)

During 1994, the Ohio Water Development Authority (OWDA) approved a line of credit of up to \$300,000 in an Ohio Water development Authority Loan for the water distribution system project. As of December 31, 2002, the District had \$150,679 in principle payable on the line of credit. The loan will be repaid in semi-annual installments of \$7,689, including interest, over 25 years. The scheduled payment on this loan will be adjusted to reflect revisions in the amount borrowed. The loan payable to Ohio Water development Authority (OWDA) is based on an estimate amortization schedule provided by OWDA. No borrowings were made on the line of credit in 2002 and 2001, respectively.

On November 26, 2002, the District borrowed \$20,132 to purchase a new truck. As of December 31, 2002, the outstanding principal was \$20,127. The loan will be repaid in 36 monthly payments of \$610, including interest at 5.50%.

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

Year Ending <u>December 31:</u>	OWDA <u>Loan</u>	First National Bank <u>Loan</u>
2003	\$ 15,337	\$ 7,320
2004	15,337	7,320
2005	15,337	7,240
2006	15,337	-
2007	15,337	-
Subsequent years	<u>191,730</u>	<u>-</u>
Total	<u>\$268,415</u>	<u>\$21,880</u>

4. Line of Credit

The District took out a line of credit of \$60,000 from First National Bank of McConnelsville to purchase an existing water line in 2001. As of December 31, 2002 and 2001, the outstanding principal was \$53,532 and \$39,091 respectively. The entire outstanding principal must be paid on December 28, 2006. The minimum monthly payments are the accrued unpaid interest on the outstanding principal at 6.00%.

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

5. Retirement Systems

The District's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participant's gross salaries. The District has paid all contributions required through December 31, 2002.

6. Risk Management

The District has obtained commercial insurance for the following risks:

- General liability and casualty
- Official's and Employee's Dishonesty Bonds
- Vehicles
- Property

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Board of Directors
Morgan-Meigsville Rural Water District
McConnelsville, Ohio

We have audited the financial statements of Morgan-Meigsville Rural Water District as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Morgan-Meigsville Rural Water District combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings as item 2002-1.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Morgan-Meigsville Rural Water District internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts the would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 3, 2003

SCHEDULE OF FINDINGS

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY
DECEMBER 31, 2002**

1. AUDITOR'S RESULTS

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(II)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES

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

2002-1. The District's Board of Directors currently do not adopt an operating budget. Recent Ohio Attorney General Opinion No. 99-020 has clarified that the budget process described in Chapter 5705, Revised Code, applies to the District, regardless of whether the District levies property taxes. The District must henceforth adopt annual appropriations, limited by estimated resources. Expenditures will be limited by appropriations.



**Auditor of State
Betty Montgomery**

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MORGAN MEIGSVILLE RURAL 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
JUNE 5, 2003**