



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance - For the Years Ended December 31, 2001 and 2000.....	3
Notes to the Financial Statement.....	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
P.O. Box 1700
Zanesville, Ohio 43702-1700

To the Board of Trustees:

We have audited the accompanying financial statement of Maysville Regional Water District, Muskingum County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement 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 statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The basis of accounting prescribed by the Auditor of State requires the District to report outstanding encumbrances at year-end as budgetary expenditures. The District did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year-end.

In our opinion, except for such adjustments, if any, that would have been necessary to reflect year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Maysville Regional Water District, Muskingum County, as of December 31, 2001 and 2000, and its 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 our report dated May 29, 2002, 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 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 the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 29, 2002

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Operating Cash Receipts:		
Charges for Services	\$829,941	\$721,209
Miscellaneous	14,039	22,461
	843,980	743,670
Operating Cash Disbursements:		
Personal Services	242,133	237,325
Utilities	46,226	39,128
Repairs and Maintenance	24,054	47,166
Testing and Licenses	5,027	2,005
Other Contractual Services	1,889	2,594
Chemicals and Operating Supplies	70,550	75,558
Office Supplies and Materials	12,987	11,129
Insurance	37,587	35,640
Capital Outlay	140,911	108,077
	581,364	558,622
Operating Income/(Loss)	262,616	185,048
Non-Operating Cash Receipts:		
Intergovernmental Revenues	116,400	15,100
Interest	65,408	55,852
	181,808	70,952
Non-Operating Cash Disbursements		
Debt Service		
Principal	30,565	81,841
Interest	138,657	184,949
Other Non-Operating Cash Disbursements	10,097	9,026
	179,319	275,816
Net Receipts Over/(Under) Disbursements	265,105	(19,816)
Cash Balance, January 1	1,086,233	1,106,049
Cash Balance, December 31	\$1,351,338	\$1,086,233

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

This page intentionally left blank.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Maysville Regional Water District, Muskingum 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 an appointed five-member Board of Trustees. Board Members are appointed by the Common Pleas Court. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District serves all or parts of Springfield and Newton Townships in Muskingum County.

The District's management believes this financial statement presents all activities for which the District is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and 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.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Deposits and Investments

Investments are included in fund cash balances. 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. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function 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). The Board must annually approve appropriation measures and subsequent amendments. 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.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. 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 invests in certificates of deposit.

The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	\$506,338	\$241,233
Certificates of deposit	845,000	845,000
Total deposits	\$1,351,338	\$1,086,233

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$995,000	\$1,025,788	\$30,788

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Appropriation Authority	Budgetary Expenditures	Variance
\$1,005,400	\$760,683	\$244,717

2000 Budgeted vs. Actual Receipts

Budgeted Receipts	Actual Receipts	Variance
\$788,980	\$814,622	\$25,642

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Appropriation Authority	Budgetary Expenditures	Variance
\$851,100	\$834,438	\$16,662

Contrary to Ohio law, the District did not certify the availability of funds prior to purchase commitments being incurred.

Also contrary to Ohio law, expenditures exceeded appropriations at the following function levels:

2001

Function	Appropriation	Budgetary Expenditures	Variance
Supplies	\$40,000	\$47,021	(\$7,021)
Chemicals	20,000	23,529	(3,529)
Repairs/Maintenance	13,000	13,949	(949)
Office Supplies	11,000	12,987	(1,987)
Utilities	40,000	46,226	(6,226)
Permit/Labs	3,500	5,027	(1,527)
Miscellaneous	5,000	7,971	(2,971)

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Function	<u>2000</u>		
	Appropriation	Budgetary Expenditures	Variance
Supplies	\$37,000	\$53,409	(\$16,409)
Chemicals	20,000	22,150	(2,150)
Vehicle Expense	12,000	13,987	(1,987)
Rent	2,300	2,594	(294)
Repairs/Maintenance	11,000	33,178	(22,178)
Office Supplies	10,000	11,129	(1,129)
Interest/Principal	266,000	266,791	(791)
Utilities	38,000	39,128	(1,128)
Legal Fees/Audit	5,000	5,979	(979)
Equipment Purchase	55,000	63,600	(8,600)
Contracts	3,000	3,082	(82)
Other	5,000	24,820	(19,820)
Grant Moneys		10,675	(10,675)

4. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Revenue Bonds - 1972	\$844,000	5.000%
Water Revenue Bonds - 1994	1,247,000	5.125%
Water Revenue Bonds - 1997	1,501,963	4.875%
Total	<u>\$3,592,963</u>	

During 1972, the District issued water revenue bonds to finance the construction and purchase of capital assets related to the water system. The bonds were issued for \$1,637,000 and have maturities through January 1, 2013. The loans will be repaid with the proceeds of water revenues in annual installments, in varying amounts, over 40 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

During 1994, the District issued water revenue bonds to purchase Lake Isabella. The bonds were issued for \$1,350,000 and have maturities through December 1, 2033. The loans will be repaid with the proceeds of water revenues in installments, in varying amounts, over 40 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

During 1997, the District issued water revenue bonds to make improvements to the water treatment plant, water storage facilities and the water transmission mains. The bonds were issued for \$1,563,000 and have maturities through December 1, 2037. The loans will be repaid with the proceeds of water revenues in annual installments of \$89,544 over 40 years. The Village has agreed to set utility rates sufficient to cover debt service requirements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2001 AND 2000
(Continued)**

4. DEBT (Continued)

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

Year ending December 31:	1972 Water Revenue Bonds	1974 Water Revenue Bonds	1997 Water Revenue Bonds
2002	\$96,200	\$79,909	\$89,544
2003	96,500	80,089	89,544
2004	96,650	80,218	89,544
2005	97,650	80,295	89,544
2006	97,450	80,321	89,544
Subsequent	653,650	2,161,192	2,754,731
Total	<u>\$1,138,100</u>	<u>\$2,562,024</u>	<u>\$3,202,451</u>

5. RETIREMENT SYSTEM

The District's full-time 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 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2001 and for January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000 PERS temporarily reduced the employer's contribution rate to 8.13% of participants' gross salaries. The District has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The District also provides health insurance to full-time employees through a private carrier.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
P.O. Box 1700
Zanesville, Ohio 43701-1700

To the Board of Trustees:

We have audited the financial statement of Maysville Regional Water District, Muskingum County, Ohio (the District), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 29, 2002, wherein we noted the District did not record encumbrances in its budgetary presentation. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statement is 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* which are described in the accompanying Schedule of Findings as items 2001-61010-001 and 2001-61010-002. We also noted certain instances of immaterial noncompliance that we have reported to management of the District in a separate letter dated May 29, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2001-61060-001.

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 that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Maysville Regional Water District
Muskingum County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Accounting Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

May 29, 2002

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-61060-001

Noncompliance Citation and Material Weakness – Fiscal Officer’s Certification

Ohio Rev. Code § 5705.41 (D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the District Office Manager. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Water District Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

If the amount involved is less than \$1,000 dollars, the District Office Manager may authorize payment through a Then and Now Certificate without affirmation of the District Board, if such expenditure is otherwise valid.

Liabilities, contracts, and open purchase commitments were not certified by the Office Manager prior to the obligation and Then and Now Certificates were not utilized. The District did not use purchase orders for the certification of any funds.

We recommend that liabilities, contracts, and open purchase commitments be certified by the District Office Manager in accordance with Ohio Rev. Code § 5705.41 (D). We recommend these certifications be recorded on purchase orders.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-61060-002

Noncompliance Citation – Expenditures Limited by Appropriation Authority

Ohio Revised Code Section 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The following funds had expenditures in excess of appropriations in 2001 at the function legal level of control:

Function	Appropriation	Budgetary Expenditures	Variance
Supplies	\$40,000	\$47,021	(\$7,021)
Chemicals	20,000	23,529	(3,529)
Repairs/Maintenance	13,000	13,949	(949)
Office Supplies	11,000	12,987	(1,987)
Utilities	40,000	46,226	(6,226)
Permit/Labs	3,500	5,027	(1,527)
Miscellaneous	5,000	7,971	(2,971)

The following funds had expenditures in excess of appropriations in 2000 at the function legal level of control:

Function	Appropriation	Budgetary Expenditures	Variance
Supplies	\$37,000	\$53,409	(\$16,409)
Chemicals	20,000	22,150	(2,150)
Vehicle Expense	12,000	13,987	(1,987)
Rent	2,300	2,594	(294)
Repairs/Maintenance	11,000	33,178	(22,178)
Office Supplies	10,000	11,129	(1,129)
Interest/Principal	266,000	266,791	(791)
Utilities	38,000	39,128	(1,128)
Legal Fees/Audit	5,000	5,979	(979)
Equipment Purchase	55,000	63,600	(8,600)
Contracts	3,000	3,082	(82)
Other	5,000	24,820	(19,820)
Grant Moneys		10,675	(10,675)

We recommend the District monitor budgetary information on a regular basis and expend funds only when appropriations have been adopted.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MAYSVILLE REGIONAL WATER DISTRICT

MUSKINGUM 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
JULY 23, 2002**