

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY
ANNUAL REPORT
YEARS ENDED DECEMBER 31, 2003 AND 2002**



**Auditor of State
Betty Montgomery**

Board of Trustees
Maysville Regional Water District
6255 Maysville Pike
Zanesville, OH 43702-1700

We have reviewed the Independent Auditor's Report of the Maysville Regional Water District, Muskingum County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 Maysville Regional Water District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 6, 2004

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**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
Zanesville, Ohio 43702-1700

We have audited the accompanying financial statements of the Maysville Regional Water District, Muskingum County, Ohio as of and for the year ended December 31, 2003 and 2002. 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. 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, if any, 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 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 statements referred to above present fairly, in all material respects, the cash balances of the Maysville Regional Water District, Muskingum County as of December 31, 2003 and 2002, and its cash receipts and cash disbursements 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 August 25, 2004, on our consideration of the Maysville Regional Water District's internal control over financial reporting and our tests of its compliance with 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 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
August 25, 2004

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Operating Cash Receipts		
Charges for Services	\$ 867,536	\$ 855,237
Miscellaneous	30,654	16,776
Total Operating Cash Receipts	898,190	872,013
Operating Cash Disbursements		
Personal Services	258,892	248,680
Utilities	46,464	49,558
Repairs and Maintenance	23,738	21,290
Testing and Licenses	10,202	3,628
Other Contractual Services	16,219	5,427
Chemicals and Operating Supplies	77,537	85,031
Office Supplies and Materials	32,478	28,276
Insurance	58,407	50,592
Capital Outlay	283,126	151,907
Total Operating Cash Disbursements	807,063	644,389
Operating Income/(Loss)	91,127	227,624
Non-Operating Cash Receipts		
Interest	18,556	36,912
Total Non-Operating Cash Receipts	18,556	36,912
Non-Operating Cash Disbursements		
Debt Service		
Principal	94,119	143,324
Interest	172,164	218,829
Other Non-Operating Cash Disbursements	10,000	5,000
Total Non-Operating Cash Disbursements	276,283	367,153
Net Receipts Over/(Under) Disbursements	(166,600)	(102,617)
Cash Balance - January 1	1,248,721	1,351,338
Cash Balance - December 31	\$ 1,082,121	\$ 1,248,721

See notes to financial statements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Maysville Regional Water District (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 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 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.

These statements include 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 that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. 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:

	2003	2002
Demand Deposits	\$ 1,082,121	\$ 903,721
Certificates of Deposit	-	345,000
Demand Deposits	\$ 1,082,121	\$ 1,248,721

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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 891,001	\$ 916,746	\$ 25,745

2003 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,058,016	\$ 1,083,346	\$ (25,330)

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 984,700	\$ 908,925	\$ (75,775)

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 973,500	\$ 1,011,542	\$ (38,042)

Compliance and Accountability:

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:

2003			
Function	Appropriation	Budgetary Expenditure	Variance
Supplies	\$ 45,000	\$ 56,493	\$ (11,493)
Chemicals	20,000	21,044	(1,044)
Vehicle Expense	10,000	11,323	(1,323)
Repair/Maint.	12,000	12,415	(415)
Utilities	45,000	46,464	(1,464)
Insurance	55,000	58,407	(3,407)
Legal/Audit	14,549	16,219	(1,670)
Other	3,000	10,000	(7,000)
Permit/Labs	5,400	10,202	(4,802)
Miscellaneous	5,231	9,697	(4,466)
Capital Outlay	276,740	283,124	(6,384)

2002			
Function	Appropriation	Budgetary Expenditure	Variance
Supplies	\$ 45,000	\$ 65,159	\$ (20,159)
Vehicle Expense	10,000	10,070	(70)
Utilities	44,000	49,558	(5,558)
Insurance	45,000	50,592	(5,592)
Board	6,000	6,350	(350)
Legal/Audit	5,000	5,426	(426)

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. DEBT

Debt outstanding at December 31, 2003:

	Principal	Interest Rate
Water Revenue Bonds - 1972	\$ 673,000	5.000%
Water Revenue Bonds - 1994	1,214,000	5.125%
Water Revenue Bonds - 1997	1,468,520	4.875%
Totals	\$ 3,355,520	

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 District 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 District 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 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 District has agreed to set utility rates sufficient to cover debt service requirements.

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

Year Ending December 31	1972 Water Revenue Bonds	1994 Water Revenue Bonds	1997 Water Revenue Bonds
2004	\$ 96,650	\$ 80,218	\$ 89,544
2005	97,650	80,295	89,544
2006	97,450	80,321	89,544
2007	97,100	80,296	89,544
2008	96,600	80,220	89,544
Subsequent	459,950	2,000,674	2,575,643
Total	\$ 945,400	\$ 2,402,024	\$ 3,023,363

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

5. RETIREMENT SYSTEMS

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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants gross salaries for the periods January 1, 2003 through December 31, 2003 and January 1, 2002 through December 31, 2002. The District has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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

**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 STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Maysville Regional Water District
Muskingum County
6255 Maysville Pike
Zanesville, Ohio 43702-1700

We have audited the financial statements of the Maysville Regional Water District as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 25, 2004. 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 Maysville Regional Water District's 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 which are described in the accompanying Schedule of Findings as items 2003-01 and 2003-02. We also noted certain immaterial instances of noncompliance which we have reported to management of Maysville Regional Water District in a separate letter dated August 25, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maysville Regional Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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. However, we noted instances involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Maysville Regional Water 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 items 2003-01.

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 statements 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 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.

Report on Internal Control and Compliance
Page 2

This report is intended 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 25, 2004

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

<i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i>

FINDING NUMBER 2003-01

Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.41(D), states 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:

- A. Then and Now Certificates – This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. If the amount involved is less than \$3,000 dollars (effective April 7, 2003, prior to that date, the dollar limit was \$1,000) 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 Revised Code Section 5705.41(D). We recommend these certifications be recorded on purchase orders.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-02

Noncompliance Citation and Material Weakness

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 for 2003 and 2002 at the function legal level of control:

2003			
Function	Appropriation	Budgetary Expenditure	Variance
Supplies	\$ 45,000	\$ 56,493	\$ (11,493)
Chemicals	20,000	21,044	(1,044)
Vehicle Expense	10,000	11,323	(1,323)
Repair/Maint.	12,000	12,415	(415)
Utilities	45,000	46,464	(1,464)
Insurance	55,000	58,407	(3,407)
Legal/Audit	14,549	16,219	(1,670)
Other	3,000	10,000	(7,000)
Permit/Labs	5,400	10,202	(4,802)
Miscellaneous	5,231	9,697	(4,466)
Capital Outlay	276,740	283,124	(6,384)

2002			
Function	Appropriation	Budgetary Expenditure	Variance
Supplies	\$ 45,000	\$ 65,159	\$ (20,159)
Vehicle Expense	10,000	10,070	(70)
Utilities	44,000	49,558	(5,558)
Insurance	45,000	50,592	(5,592)
Board	6,000	6,350	(350)
Legal/Audit	5,000	5,426	(426)

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

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-61060-001	ORC 5705.41(D)	No	Not Corrected. Cited in current report.
2001-61060-002	ORC 5705.41(B)	No	Not Corrected. Cited in current report.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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**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
NOVEMBER 4, 2004**