

Bishopville Water District

Morgan County, Ohio

Regular Audit

January 1, 2006 through December 31, 2007

Fiscal Years Audited Under GAGAS: 2007 and 2006

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Bishopville Water District
10123 West Mountsville Road
Glouster, Ohio 45732

We have reviewed the *Independent Auditor's Report* of the Bishopville Water District, Morgan County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Bishopville Water District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 4, 2008

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Bishopville Water District
Morgan County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Bishopville Water District
10123 West Mountville Road
Glouster, Ohio 45732

We have audited the accompanying financial statements of the business-type activities, of the Bishopville Water District (the District), Morgan County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. 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.

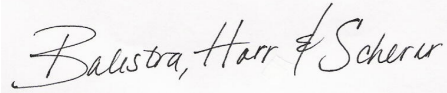
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2007 and 2006, and the results of its operations and its cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2008 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. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bishopville Water District
Independent Auditor's Report
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As described in Note 10, for the year ended December 31, 2007 and 2006, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits* and Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 18, 2008

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006**

This discussion and analysis, along with the accompanying financial reports, of Bishopville Water District (BWD or "the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The total assets of BWD exceeded liabilities on December 31, 2007 by \$416,718 and on December 31, 2006 by \$401,002. The District's net assets increased by \$15,716 (3.9%) in 2007 and by \$251,834 (168.8%) in 2006.

The District's Operating Revenues increased by \$16,666 (9.3%) in 2007 and by \$19,319 (12.0%) in 2006. Operating Expenses increased by \$375 (0.2%) in 2007 and by \$11,771 (7.9%) in 2006.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statements of Net Assets** include all of the District's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the District, and obligations owed by the District (liabilities) on December 31. The District's net assets are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Assets** provide information on the District's operations over the past two years and the success of recovering all its costs through user fees, charges, special assessments and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statements of Cash Flows** provide information about the District's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing and financing activities.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006**

STATEMENTS OF NET ASSETS

Table 1 summarizes the Statements of Net Assets of the District. Capital Assets are reported less accumulated depreciation. "Invested in Capital Assets, Net of Related Debt", represents Capital Assets less outstanding debt that was used to acquire those assets.

TABLE 1	2007	2006	Change Amount	2005	Change Amount
Current and Other Assets	\$ 62,133	\$ 133,517	\$ (71,384)	\$ 112,591	\$ 20,926
Restricted Assets	-	-	-	25,142	(25,142)
Capital Assets	<u>2,022,799</u>	<u>1,859,958</u>	<u>162,841</u>	<u>505,547</u>	<u>1,354,411</u>
Total Assets	<u>2,084,932</u>	<u>1,993,475</u>	<u>91,457</u>	<u>643,280</u>	<u>1,350,195</u>
Long Term Liabilities	1,547,104	1,475,919	71,185	300,404	1,175,515
Other Liabilities	<u>121,110</u>	<u>116,554</u>	<u>4,556</u>	<u>193,708</u>	<u>(77,154)</u>
Total Liabilities	<u>1,668,214</u>	<u>1,592,473</u>	<u>75,741</u>	<u>494,112</u>	<u>1,098,361</u>
Net Assets					
Invested in Capital Assets, Net					
Of Related Debt	410,081	321,190	88,891	59,090	262,100
Unrestricted	<u>6,637</u>	<u>79,812</u>	<u>(73,175)</u>	<u>90,078</u>	<u>(10,266)</u>
Total Net Assets	<u>\$ 416,718</u>	<u>\$ 401,002</u>	<u>\$ 15,716</u>	<u>\$ 149,168</u>	<u>\$ 251,834</u>

The District's Net Assets increased by \$15,716 (3.9%) in 2007 and \$251,834 (168.8%) in 2006. These increases are primarily the result of an increase in water sales and tap fees received in both years.

Unrestricted net assets decreased \$73,175 from 2006 to 2007 and decreased by \$10,266 from 2005 to 2006. Unrestricted assets may be used without constraints established by other legal requirements. Cash decreased by \$68,750 from 2006 to 2007 and \$10,407 from 2005 to 2006 primarily due continued district expansion.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006**

STATEMENTS OF CHANGES IN NET ASSETS

Table 2 below summarizes the changes in Revenues and Expenses and the resulting change in Net Assets.

TABLE 2	2007	2006	Difference	2005	Difference
Operating Revenues	\$ 196,319	\$ 179,653	\$ 16,666	\$ 160,334	\$ 19,319
Operating Expenses (Excluding Depreciation)	147,931	147,517	414	135,746	11,771
Depreciation	12,887	12,926	(39)	12,926	-
Total Operating Expenses	160,818	160,443	375	148,672	11,771
Operating Income	35,501	19,210	16,291	11,662	7,548
Non-Operating Revenues	1,617	235,903	(234,286)	1,051	234,852
Non-Operating Expenses	(21,402)	(3,279)	(18,123)	(4,994)	1,715
Changes in Net Assets	15,716	251,834	(236,118)	7,719	244,115
Net Assets at Beginning of Year	401,002	149,168	251,834	141,449	7,719
Net Assets at End of Year	\$ 416,718	\$ 401,002	\$ 15,716	\$ 149,168	\$ 251,834

Operating Revenues increased \$16,666 from 2006 to 2007 due to an increased number of customers. Operating expenses exclusive of depreciation increased \$414 primarily due to increases in wages and repair and maintenance expenses; however these increases were partially offset by decreases in legal and professional services and bookkeeping expenses. Depreciation decreased by \$39 from 2006 to 2007 due to additional capital assets being fully depreciated.

Operating Revenues increased \$19,319 from 2005 to 2006 due to an increased number of customers. Operating expenses exclusive of depreciation increased \$11,771 primarily due to increases in legal and professional services and bookkeeping expenses due to the audit taking place every two years. Depreciation remained the same from 2006 to 2007.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006**

CAPITAL ASSETS

The District had \$2,407,361 invested in Capital Assets (before depreciation) at the end of 2007. This amount is an increase of \$175,728 (7.8%) from the previous year. This increase is due to additions to the water plant. The District had \$2,022,799 invested in Net Capital Assets (after depreciation) at the end of 2007. This amount is an increase of \$162,841 (8.7%) from the previous year. The reason that Net Capital Assets did not increase as much is due to depreciation expense in the amount of \$12,887 during 2007.

The District had \$2,231,633 invested in Capital Assets (before depreciation) at the end of 2006. This amount is an increase of \$1,367,337 (158.2%) from the previous year. This increase is due to increases in land and the water plant. The District had \$1,859,958 invested in Net Capital Assets (after depreciation) at the end of 2006. This amount is an increase of \$1,354,411 (267.9%) from the previous year. The reason that Net Capital Assets did not increase as much is due to depreciation expense in the amount of \$12,926. Additional information regarding capital assets can be found in Note 4 to the Basic Financial Statements.

Table 3

	2007	2006	Change Amount	2005	Change Amount
Land	\$ 2,250	\$ 2,250	\$ -	\$ 2,250	\$ -
Construction in Progress	1,888,181	1,712,453	175,728	345,116	1,367,337
Plant	513,901	513,901	-	513,901	-
Office Equipment	3,029	3,029	-	3,029	-
Totals Before					
Accumulated Depreciation	2,407,361	2,231,633	175,728	864,296	1,367,337
Accumulated Depreciation	(384,562)	(371,675)	(12,887)	(358,749)	(12,926)
Net Capital Assets	<u>\$ 2,022,799</u>	<u>\$ 1,859,958</u>	<u>\$ 162,841</u>	<u>\$ 505,547</u>	<u>\$ 1,354,411</u>

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2005**

DEBT

The District issues long term debt to finance much of its construction. The District typically levies special assessments on the benefiting property owners and then obtains Ohio Water Development Authority Loans (OWDA) to finance these water line projects. The special assessment collections are generally received over a twenty five year period and such collections are used to pay the debt service on the OWDA Loans. Additional information regarding debt can be found in Note 5 to the Basic Financial Statements.

TABLE 4

	<u>2007</u>	<u>2006</u>	<u>Change Amount</u>	<u>2005</u>	<u>Change Amount</u>
GMAC #10493001	\$ -	\$ 55,345	\$ (55,345)	\$ 71,580	\$ (16,235)
GMAC #10493002	-	1,367	(1,367)	11,605	(10,238)
WSOS #120-01-01	-	-	-	72,000	(72,000)
WSOS #120-01-02	-	-	-	53,000	(53,000)
OWDA #4371	1,292,849	1,163,249	129,600	175,897	987,352
OPWC #CR25G	293,863	300,000	(6,137)	54,800	245,200
OPWC #CR26G	26,006	18,807	7,199	7,575	11,232
Total Long Term Debt	<u>\$ 1,612,718</u>	<u>\$ 1,538,768</u>	<u>\$ 73,950</u>	<u>\$ 446,457</u>	<u>\$ 1,092,311</u>

CASH

Cash and investments on December 31, 2007 were \$47,202 and on December 31, 2006 were \$115,952.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to Vicki Mingus, Clerk, Bishopville Water District, 3758 Vicksville Lane, Glouster, Ohio 45732 or (740) 767-4522.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

STATEMENTS OF NET ASSETS

As of December 31, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 47,202	\$ 115,952
Accounts receivable	15,381	15,232
Allowance for doubtful accounts	(450)	(450)
Prepaid Assets	-	2,783
Total current assets	62,133	133,517
Noncurrent assets		
Capital Assets:		
Land	2,250	2,250
Construction in Progress	1,888,181	1,712,453
Plant	513,901	513,901
Office equipment	3,029	3,029
	2,407,361	2,231,633
Less: Accumulated depreciation	(384,562)	(371,675)
Net Capital Assets	2,022,799	1,859,958
Total assets	\$ 2,084,932	\$ 1,993,475
Liabilities		
Current liabilities		
Accounts payable	\$ 6,560	\$ 12,269
Payroll taxes accrued and withheld	2,986	2,986
Tap fees - expansion	45,950	38,450
Notes payable - current portion	65,614	62,849
Total current liabilities	121,110	116,554
Long-term liabilities		
Notes payable - OWDA	1,239,693	1,163,249
Notes payable - OPWC	307,411	312,670
Total long-term liabilities	1,547,104	1,475,919
Total liabilities	1,668,214	1,592,473
Net assets		
Invested in capital assets, net of related debt	410,081	321,190
Unrestricted	6,637	79,812
Total net assets	\$ 416,718	\$ 401,002
Total Liabilities and net assets	\$ 2,084,932	\$ 1,993,475

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

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Water sales	\$ 194,819	\$ 176,373
Tap fees and other miscellaneous	1,500	3,280
Total operating revenues	<u>196,319</u>	<u>179,653</u>
Operating expenses		
Wages	44,729	37,005
Water purchased	57,378	55,081
Utilities	5,076	4,024
Insurance	4,409	4,814
Payroll taxes	7,347	7,618
Legal and professional	980	815
Licenses and permits	1,225	1,000
Repair and maintenance	10,665	14,618
Board member salaries	5,910	3,950
Bookkeeping	-	6,300
Office expense	499	2,540
Water testing	1,763	3,777
Miscellaneous expense	1,920	187
Postage	1,044	1,785
Travel	4,886	3,803
Dues and subscriptions	100	200
Depreciation	12,887	12,926
Total operating expenses	<u>160,818</u>	<u>160,443</u>
Operating income	<u>35,501</u>	<u>19,210</u>
Nonoperating revenues (expenses)		
Government Grants	-	234,353
Interest revenue	1,617	1,550
Interest expense	(21,402)	(3,279)
Net other income (expense)	<u>(19,785)</u>	<u>232,624</u>
Changes in net assets	15,716	251,834
Net assets, beginning of year	401,002	149,168
Net assets, end of year	<u>\$ 416,718</u>	<u>\$ 401,002</u>

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

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Cash received from customers	\$ 202,170	\$ 172,616
Cash received for tap fees	1,500	3,280
Cash payments to suppliers for goods and services	(100,218)	(99,785)
Cash payments for employee services and benefits	(50,639)	(44,116)
Net cash provided by operating activities	<u>52,813</u>	<u>31,995</u>
Cash flows from capital and related financing activities		
Principal payments	(62,849)	(151,473)
Interest payments	(21,402)	(3,279)
Proceeds from debt issuance	136,799	1,243,784
Waterline Extension Grants	-	234,353
Capital outlay	(175,728)	(1,367,337)
Net cash provided (used) by capital and related financing activities	<u>(123,180)</u>	<u>(43,952)</u>
Cash flows from investing activities		
Interest on cash and investments	<u>1,617</u>	<u>1,550</u>
Net increase (decrease) in cash and cash equivalents	(68,750)	(10,407)
Cash and cash equivalents at beginning of year	115,952	126,359
Cash and cash equivalents at end of year	<u>\$ 47,202</u>	<u>\$ 115,952</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 35,501	\$ 19,210
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	12,887	12,926
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(149)	(5,657)
(Increase) decrease in prepaid insurance	2,783	(534)
Increase (decrease) in accounts payable (operating)	(5,709)	3,643
Increase (decrease) in tap fees - expansion	7,500	1,900
Increase (decrease) in accrued wages and benefits	-	507
Total adjustments	<u>17,312</u>	<u>12,785</u>
Net cash provided by operating activities	<u>\$ 52,813</u>	<u>\$ 31,995</u>

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

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

1. DESCRIPTION OF THE REPORTING ENTITY

The Bishopville Water District, Morgan County, (the District) is a regional water district organized under the provisions of Ohio Rev. Code Chapter 6119 by the Common Pleas Courts of Athens and Morgan Counties on November 8, 1999. The District operates under the direction of a seven-member Board of Trustees. The staff consists of an appointed Board Treasurer, an appointed accountant and one office clerk, who are responsible for the 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 District's users. The District serves all or parts of the following political subdivisions in Athens and Morgan Counties:

Trimble Township, Athens County
Union Township, Morgan County

Homer Township, Morgan County

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. The District provides water and sewer services to residents of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. Based on these criteria, the District has no component units.

The District's management believes the basic financial statements included in this report represent all activities over which the District has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net assets presents the cash balance of the business-type activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's business-type activities. Disbursements are reported by activity. An activity is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the year, the District segregates transactions related to certain District activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The District classifies its funds into the Enterprise Fund type.

Proprietary Funds

The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's major enterprise fund is the water fund.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within Water District.

B. Measurement Focus and Basis of Accounting

The District's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the balance sheet. Equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. The operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

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. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the District Board may appropriate.

The appropriations resolution is the District Boards' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the District Board. The legal level of control has been established at the fund/function/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Secretary/Treasurer.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

D. Cash and Cash Equivalents

Cash in the District's operating account and certificates of deposit are considered cash for the purposes of the Statement of Cash Flows. Certificates of deposit are stated at their fair market value.

E. Inventory

The inventory is valued at cost, which approximates market, utilizing the first in, first out (FIFO) method. The inventory of the District consists of expendable materials and supplies. The cost is recorded as an expense at the time individual inventory items are used.

F. Capital Assets and Depreciation

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Construction costs of the water system are capitalized, including interest incurred on construction projects until they are substantially completed. Donated assets are recorded at their fair market value at the time recorded. Depreciation of capital assets of the District is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The estimated useful lives by major fixed asset class are as follows:

Plant	40 Years
Office Equipment	5 Years

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

GASB Statement 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

1. Compensated absences are earned on the basis of services already performed by employees.
2. It is probable that the compensated absence will be paid in a future period.

The District does not record compensated absences in accordance with GASB 16. However, the District feels that any liability would be immaterial to the basic financial statements as a whole.

H. Long-Term Obligations

Long-term debt and other obligations are reported as liabilities.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. There are no restricted net assets.

3. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Interim monies can be deposited or invested in the following securities:

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

3. CASH AND CASH EQUIVALENTS (Continued)

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

3. CASH AND CASH EQUIVALENTS (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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. The carrying amount of the District's deposits at December 31, 2007 and 2006 was \$47,202 and \$115,952 and the bank balance was \$139,241 and \$118,960. Of the bank balance for December 31, 2007 and 2006, \$100,000 and \$118,960, respectively, was covered by the Federal Deposit Insurance Corporation; and the remaining \$39,241 collateralized more than 105% by the bank's collateral pool in the name of the District. None of the balances were subject to custodial credit risk.

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended December 31, 2007 was as follows:

	Ending Balance 12/31/06	Additions	Deletions	Ending Balance 12/31/07
Capital Assets, Not Being Depreciated				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Construction in Progress	1,712,453	175,728		1,888,181
Total Capital Assets, Not Being Depreciated	1,714,703	175,728	-	1,890,431
Capital Assets Being Depreciated				
Plant	513,901	-	-	513,901
Office Equipment	3,029	-	-	3,029
Total Capital Assets, Being Depreciated	516,930	-	-	516,930
Less Accumulated Depreciation:				
Plant	(368,686)	(12,848)	-	(381,534)
Office Equipment	(2,989)	(39)	-	(3,028)
Total Accumulated Depreciation	(371,675)	(12,887)	-	(384,562)
Total Capital Assets Being Depreciated, Net	145,255	(12,887)	-	132,368
Total Capital Assets, Net	<u>\$ 1,859,958</u>	<u>\$ 162,841</u>	<u>\$ -</u>	<u>\$ 2,022,799</u>

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

4. CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended December 31, 2006 was as follows:

	Ending Balance 12/31/05	Additions	Deletions	Ending Balance 12/31/06
Capital Assets, Not Being Depreciated				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Construction in Progress	345,116	1,367,337		1,712,453
Total Capital Assets, Not Being Depreciated	<u>347,366</u>	<u>1,367,337</u>	<u>-</u>	<u>1,714,703</u>
Capital Assets Being Depreciated				
Plant	513,901	-	-	513,901
Office Equipment	3,029	-	-	3,029
Total Capital Assets, Being Depreciated	<u>516,930</u>	<u>-</u>	<u>-</u>	<u>516,930</u>
Less Accumulated Depreciation:				
Plant	(355,838)	(12,848)	-	(368,686)
Office Equipment	(2,911)	(78)	-	(2,989)
Total Accumulated Depreciation	<u>(358,749)</u>	<u>(12,926)</u>	<u>-</u>	<u>(371,675)</u>
Total Capital Assets Being Depreciated, Net	<u>158,181</u>	<u>(12,926)</u>	<u>-</u>	<u>145,255</u>
Total Capital Assets, Net	<u>\$ 505,547</u>	<u>\$ 1,354,411</u>	<u>\$ -</u>	<u>\$ 1,859,958</u>

5. LONG-TERM DEBT

Debt outstanding at December 31, 2007 is as follows:

Loan	Ending Balance 12/31/2006	Additions	Payments	Ending Balance 12/31/2007	Amount Due in One Year
GMAC #10493001	\$55,345	\$-	\$55,345	\$-	\$-
GMAC #10493002	1,367	-	1,367	-	-
OWDA #4371	1,163,249	129,600	-	1,292,849	53,156
OPWC #CR25G	300,000	-	6,137	293,863	12,458
OPWC #CR26G	18,807	7,199	-	26,006	-
Total	<u>\$1,538,768</u>	<u>\$136,799</u>	<u>\$62,849</u>	<u>\$1,612,718</u>	<u>\$65,614</u>

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

5. LONG-TERM DEBT (Continued)

Debt outstanding at December 31, 2006 is as follows:

Loan	Ending Balance 12/31/2005	Additions	Payments	Ending Balance 12/31/2006	Amount Due in One Year
GMAC #10493001	\$71,580	\$-	\$16,235	\$55,345	\$55,345
GMAC #10493002	11,605	-	10,238	1,367	1,367
WSOS #120-01-01	72,000	-	72,000	-	-
WSOS #120-01-02	53,000	-	53,000	-	-
OWDA #4371	175,897	987,352	-	1,163,249	-
OPWC #CR25G	54,800	245,200	-	300,000	6,137
OPWC #CR26G	7,575	11,232	-	18,807	-
Total	\$446,457	\$1,243,784	\$151,473	\$1,538,768	\$62,849

The outstanding OWDA and OPWC loans were issued for plant expansion in order to serve the increasing number of customers. The revenue to the District has been pledged to repay this debt.

Amortization of the above debt, including interest of \$347,611 is scheduled as follows:

Year Ending
December 31:

OWDA #4371

	Principal	Interest	Total
2008	53,156	25,593	78,749
2009	54,225	24,524	78,749
2010	55,315	23,434	78,749
2011	56,427	22,322	78,749
2012	57,561	21,188	78,749
2013-2017	305,631	88,114	393,745
2018-2022	337,607	56,138	393,745
2023-2027	372,927	20,818	393,745
	<u>1,292,849</u>	<u>282,131</u>	<u>1,574,980</u>

Year Ending
December 31:

OPWC #CR25G

	Principal	Interest	Total
2008	12,458	5,816	18,274
2009	12,583	5,691	18,274
2010	12,836	5,438	18,274
2011	13,094	5,180	18,274
2012	13,357	4,917	18,274
2013-2017	70,924	20,446	91,370
2018-2022	78,343	13,027	91,370
2023-2027	80,268	4,965	85,233
	<u>293,863</u>	<u>65,480</u>	<u>359,343</u>

Total

	Principal	Interest	Total
2008	65,614	31,409	97,023
2009	66,808	30,215	97,023
2010	68,151	28,872	97,023
2011	69,521	27,502	97,023
2012	70,918	26,105	97,023
2013-2017	376,555	108,560	485,115
2018-2022	415,950	69,165	485,115
2023-2027	453,195	25,783	478,978
	<u>1,586,712</u>	<u>347,611</u>	<u>1,934,323</u>

Project loan agreement CR26G has not been finalized with the OPWC; therefore, no amortization schedule has been created. As a result this loan is not shown on the above maturity schedule.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

5. LONG-TERM DEBT (Continued)

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$1,292,849 in water revenue bonds issued between 2005 and 2007. Proceeds from the bonds provided financing for the construction of the Waterworks System. The bonds are payable solely from water customer net revenues and are payable through 2027. Annual principal and interest payments remaining on the bonds are expected to require approximately 501 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,574,980. Principal and interest paid for the current year and total customer net revenues were \$0 and \$15,716, respectively.

6. DEFINED BENEFIT RETIREMENT PLAN

A. Ohio Public Employees Retirement Systems of Ohio (PERS) administers three separate pension plans as described below:

- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional 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.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interest parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, 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 Plan.

The 2007 member contribution rates were 9.5% for members I state and local classifications.

The 2007 employer contribution rate for state employers was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer rate for 2007 was 17.17%

The District's contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$5,688, \$5,188 and \$2,409 respectively.

7. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

7. POSTEMPLOYMENT BENEFITS (Continued)

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units the rate was 13.85% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

C. Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on the System's latest Actuarial Reviews performed as of December 31, 2006.

Funding Method - The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets, not to exceed a 12% corridor.

Investment Return - The investment assumption rate for 2006 was 6.50%.

Active Employee Total Payroll - An annual increase of 4.0%, compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In additionally, annual pay increases, over and above the 4.0% base increases, were assumed to range from .50% to 6.30%.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

D. OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

1. The Traditional Pension and Combined Plans had 374,979 active participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130.
2. The rates in Section A, above, are the contractually required contribution rates for OPERS. The employer contributions that were used to fund post-employment benefits were \$1,679 for 2007, \$1,531 for 2006 and \$711 for 2005.
3. The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.
4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability of OPEB at \$30.7 billion and \$18.7 billion, respectively.

BISHOPVILLE WATER DISTRICT

Morgan County, Ohio

Notes to the Basic Financial Statements

December 31, 2007 and 2006

7. POSTEMPLOYMENT BENEFITS (Continued)

E. OPERS Retirement Board implements its Healthcare Preservation Plan:

The Healthcare Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will become effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

8. 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. There has been no significant change in coverage from the prior year.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The District also provides health-care insurance coverage for its full-time employees.

9. SUBSEQUENT EVENTS

The District has encountered numerous problems with project completion deadlines for their ongoing expansion project relating to extensive issues with easements. The District is in danger of losing its funding due to these problems with project completion deadlines. There are numerous possibilities of litigation. It is unknown at this time how these issues will affect the District financially.

10. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended 2006, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 47, "Accounting for Termination Benefits". GASB Statement No. 47 establishes accounting standards for termination benefits. The application of this new standard did not have a material effect on the financial statements, nor did its implementation require a restatement of prior year balances.

For the fiscal year ended 2007, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB No. 48 addresses disclosures pertaining to future revenues that have been pledged or sold to provide financial statement users with information about which revenues will be available for other purposes and how long they will continue to be so. The implementation of this statement did not result in any prior year restatements or current year effect in the basic financial statements. For additional information please see Note 5.

11. COMPLIANCE

The District was not in compliance with applicable laws and regulations during the audit period as follows:

- a. Contrary to Ohio Law the District did not pass an annual appropriation resolution for 2006.
- b. Contrary to Ohio Revised Code Section 5705.41(B) the District's expenditures exceeded appropriations for 2006.
- c. Contrary to Ohio Revised Code Section 5705.41(D) the District did not utilize purchase orders for its disbursements.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Bishopville Water District
10123 West Mountsville Road
Glouster, Ohio 45732

We have audited the financial statements of the business-type activities of the Bishopville Water District, Morgan County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006, in which we indicated the District implemented Governmental Accounting Standards Board Statement Nos. 47 & 48, and have issued our report thereon dated September 18, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by District's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 2007-004 and 2007-005 to be significant deficiencies in internal control over financial reporting.

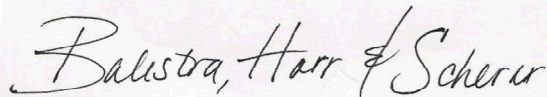
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the items described above to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and as items 2007-001 through 2007-003.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

September 18, 2008

BISHOPVILLE WATER DISTRICT
MORGAN COUNTY
DECEMBER 31, 2007 and 2006

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code Section 5705.38 states “On or about the first day of each fiscal year, an appropriation measure is to be passed.” The District failed to pass an appropriation measure for 2006.

The District adopted an appropriation measure for 2007 and plans to adopt an appropriation measure during subsequent years.

We recommend the District pass an appropriation measure on or about the first day of the fiscal year.

The District Clerk responded that the District will continue to adopt the annual appropriation measure on or about the first day of the year.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states “No subdivision or taxing authority is to expend money unless it has been appropriated.” The District did not appropriate any funds during 2006.

The District adopted an appropriation measure during 2007 and the Clerk responded that it plans to adopt an appropriation measure during subsequent years.

We recommend the District pass an appropriation measure on or about the first day of the fiscal year.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states “no orders or contracts involving the expenditure of money should be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.” The District did not certify that funds for expenses were in the treasury or in the process of collections nor did they appropriate amounts required for expenses during 2006.

The District plans to implement a purchase order system in the subsequent period.

We recommend the District pass an appropriation measure on or about the first day of the fiscal year, as well as implement a purchase order system.

The Clerk has responded that the District will implement a purchase order system.

BISHOPVILLE WATER DISTRICT
MORGAN COUNTY
DECEMBER 31, 2007 and 2006

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2007-004

Material Weakness – Monthly Bank Reconciliations

Accurate monthly reconciliations of the ending bank account balance to the Water District's ending book balance were not performed each month during the audit period by the Clerk.

This resulted in inaccurate book balances and cumbersome reconciliation procedures.

As a result, we make the following recommendations:

- We recommend that accurate reconciliations of the Water District's bank accounts be performed by the Clerk on a monthly basis. Any reconciling items should be documented and investigated to prevent unsupported adjustments from being recorded.
- We recommend the Water District Treasurer maintain accurate listing of outstanding checks and deposits and follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Water District for outstanding deposits and outstanding checks are voided and paid into the Water District's unclaimed monies fund in accordance with Auditor of State Bulletin 96-013 or reissued.
- We recommend that monthly bank reconciliations be reviewed and approved by the Water District Board as part of their monthly Board Meetings and signed or initialed by the Board President indicating Board review and approval.
- We recommend interest should be posted monthly based on amounts indicated on the bank statements and checks be issued in a manner to agree to the amount posted to the accounting system.

The Clerk has responded that accurate, monthly reconciliations of the ending bank account balance to the District's ending book balance will be performed in the future.

FINDING NUMBER 2007-005

Material Weakness – Capital Asset Policies

The District's capital asset listing did not agree to the capital assets recorded in the District's financial statements. The differences should be evaluated and corrected.

The District does not have a comprehensive capital assets policies and procedures manual to assist in defining items to be capitalized and depreciated. The lack of a comprehensive capital assets policies and procedures manual can result in errors and irregularities occurring and not being detected in a timely manner.

In order to address the items mentioned above, the District should implement the following procedures:

- Develop a comprehensive capital assets policies and procedures manual which encompasses all types of capital assets, including land, land improvements, plant, transmission system, office equipment, and any other capital assets. This manual needs to address capitalization areas such as dollar amounts over which items will be capitalized, potential capitalization or large batch purchases of capital assets under the dollar threshold, and estimated useful lives for various types of capital assets.
- Reconcile the detailed capital asset listing with the capital asset amounts reported in the financial statements and make appropriate corrections and adjustments to the District's capital asset records. Maintain a detailed file documenting differences noted, how items were corrected, and explanations regarding all changes made to the District's capital asset system.

The Clerk has responded that a comprehensive capital assets policies and procedures manual will be adopted.

**BISHOPVILLE WATER DISTRICT
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Noncompliance Citation – Ohio Revised Code Section 5705.38	No	Reissued as finding number 2007-001
2005-002	Noncompliance Citation – Ohio Revised Code Section 5705.41(B)	No	Reissued as finding number 2007-003
2005-003	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	No	Reissued as finding number 2007-004
2005-004	Material Weakness – Monthly Bank Reconciliations	No	Reissued as finding number 2007-005



Mary Taylor, CPA
Auditor of State

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 18, 2008**