

**MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Morgan-Meigsville Rural Water District, Morgan County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period January 1, 2009 through December 31, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 10, 2011

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

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INDEPENDENT ACCOUNTANTS' REPORT

June 28, 2011

Morgan-Meigsville Rural Water District
Morgan County
P.O. Box 456
McConnelsville, OH 43756

To the Board of Trustees:

We have audited the accompanying financial statements of **Morgan-Meigsville Rural Water District**, Morgan County, Ohio (the District), as of and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2010 and 2009, or its changes in financial position or cash flows for the years then ended.

Morgan-Meigsville Rural Water District
Morgan County
Independent Accountants' Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Morgan-Meigsville Rural Water District, Morgan County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully submitted,



Perry and Associates
Certified Public Accountants, A.C.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Cash Receipts:		
Charges for Services	\$ 187,814	\$ 192,529
Tap Fees	25,601	7,500
Miscellaneous	2,129	3,814
	<u>215,544</u>	<u>203,843</u>
Operating Cash Disbursements:		
Contract Labor	28,389	31,861
Insurance	5,021	866
Lab Fees	1,900	2,720
Miscellaneous	2,152	2,231
Office Supplies/Equipment	552	297
Repair Materials and Supplies	42,870	9,357
Postage	1,246	1,179
Salaries	31,271	13,988
Mileage and Expense Rreimbursement	203	28
Gasoline	5,426	3,688
Truck Expense	2,759	1,150
Pension - PERS	3,830	1,429
Payroll Taxes	2,095	982
Utilities	4,153	3,942
Water Purchase	61,266	71,694
Audit	-	5,599
Capital Outlay	16,991	68,609
Windsor Township	2,096	38,324
Bank Charges	72	33
	<u>212,292</u>	<u>257,977</u>
Operating Income/(Loss)	<u>3,252</u>	<u>(54,134)</u>
Non-Operating Cash Receipts:		
Interest	209	561
Sale of Fixed Assets	12,251	10,000
Other Non-Operating Revenues	11,179	-
	<u>23,639</u>	<u>10,561</u>
Non-Operating Cash Disbursements:		
Principal Debt Payments	7,863	7,354
Interest Expense	7,475	7,983
	<u>15,338</u>	<u>15,337</u>
Net Receipts Over/(Under) Cash Disbursements	<u>11,553</u>	<u>(58,910)</u>
Cash Balances, January 1	<u>33,361</u>	<u>92,271</u>
Cash Balances, December 31	<u><u>\$ 44,914</u></u>	<u><u>\$ 33,361</u></u>

The accompanying notes are and integral part of this financial statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Morgan-Meigsville Rural Water District, Morgan County, (the District) as a body corporate and politic. The District is directed by a five member Board of Trustees appointed by the Morgan County Common Pleas Court Judge. Subdivisions within the District are, Morgan Township, Bristol Township and Meigsville Township. The District provides water services to residents of the District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

D. Property, Plant, and Equipment

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

The carrying amount of deposits at December 31 was as follows:

	2010	2009
Demand Deposits	\$ 44,914	\$ 33,361
Total Deposits	\$ 44,914	\$ 33,361

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 378,875	\$ 239,183	\$ (139,692)

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 358,967	\$ 227,630	\$ 131,337

2009 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 448,875	\$ 214,404	\$ (234,471)

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 438,189	\$ 273,314	\$ 164,875

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)**

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$ 100,162	6.91%
Total	\$ 100,162	

During 1994, the Ohio Water Development Authority (OWDA) approved a loan of up to \$300,000 in for the water distribution system project. As of December 31, 2010, the District had \$100,162 in principal payable on the loan. The loan will be repaid in semi-annual installments of \$7,669, including interest, over 25 years. The scheduled payment on this loan will be adjusted to reflect revisions in the amount borrowed. The loan payable to OWDA is based on an estimate amortization schedule provided by OWDA.

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

Year ending December 31:	OWDA Loan
2011	\$ 15,337
2012	15,337
2013	15,337
2014	15,337
2015	15,337
2016-2020	61,203
Total	\$ 137,888

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2010.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property, general liability and casualty;
- Official's and Employee's Dishonesty Bonds; and
- Vehicles

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

June 28, 2011

Morgan-Meigsville Rural Water District
Morgan County
123 North Market Street
Galion, Ohio 44833

To the Board of Trustees:

We have audited the financial statements of **Morgan-Meigsville Rural Water District**, Morgan County, Ohio, (the District) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 28, 2011, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider material weaknesses as defined above.

Morgan-Meigsville Rural Water District
Morgan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Board of Trustees, and others within the District. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.41(D) Not Properly Encumbering	Yes	
2008-002	Posting Estimated Revenues and Appropriations	Yes	

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Dave Yost • Auditor of State

MORGAN MEIGSVILLE RURAL WATER DISTRICT

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 23, 2011**