



Dave Yost • Auditor of State

MORGAN-MEIGSVILLE RURAL WATER DISTRICT
MORGAN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Morgan-Meigsville Rural Water District
Morgan County
P.O. Box 456
1072 East State Route 60
McConnelsville, Ohio 43756

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Morgan-Meigsville Rural Water District, Ohio (the District), agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning balance recorded in the Monthly Financial Statement to the December 31, 2010 balance in the prior year audited statement. We found no exceptions. We also agreed the January 1, 2012 beginning fund balance recorded in the Monthly Financial Statement to the December 31, 2011 balance in the Annual Financial Statement. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 cash balances reported in the manual Check Register. The amounts agreed.
4. We observed the year-end bank balance on the financial institution's website. The balance agreed. We also agreed the confirmed balance to the amount appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected all reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 bank reconciliation:

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Cash (Continued)

- a. We traced each debit to the subsequent January bank statement. We found no exceptions.
- b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Intergovernmental and Other Confirmable Cash Receipts

We confirmed the amounts paid from the Ohio Water Development Authority (OWDA), the Ohio Department of Transportation (ODOT) and the Village of McConnelsville (the Village) to the District during 2012 and 2011 with OWDA, ODOT and the Village. The following exceptions were noted.

- a. We determined whether the receipts were recorded in the proper year. During 2012, grant proceeds in the amount of \$28,755.63 from OWDA were disbursed directly from OWDA to the applicable contractor. The District did not record these "on-behalf-of" receipts/disbursements to its accounting records. AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. We recommend the District review this bulletin to ensure all on-behalf funding is recorded to the District's accounting records.

Charges for Services

1. We haphazardly selected 10 water collection cash receipts from the year ended December 31, 2012 and 10 water collection cash receipts from the year ended 2011 recorded in the batched stubs and determined whether the:
 - a. Receipt amount per the batched stubs agreed to the amount recorded to the credit of the customer's account in the Customer Account History. The amounts agreed.
 - b. Amount charged for the related billing period:
 - i. Agreed with the debit to the Customer Balance Report for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit multiplied by the consumption amount recorded for the billing period. We found no exceptions.
 - c. Receipt was recorded in the year received. We found no exceptions.
2. The District did not have an accounts receivable system. Without accounts receivable information, the District lacks reliable information on overdue amounts, systems-derived documentation on noncash adjustments and approval of noncash adjustments, and information upon which to judge whether the District should write off or follow up on uncollectible amounts. We recommend the District acquire an accounts receivable and billing system.
3. The District did not maintain a report that lists the total non-cash receipt adjustments for the year. Further, we determined the Board did not approve non-cash adjustments. We recommend the District utilize a system that tracks all non-cash adjustments to customer's accounts. We also recommend the non-cash adjustments be approved by the Board at its monthly meetings.

Debt

1. From the prior audit documentation, we noted the following loan outstanding as of December 31, 2010. This amount did not agree to the District's January 1, 2011 balance on the summary we used in step 3. The prior year audit report indicated at December 31, 2010 a balance of \$100,162, per the Ohio Water Development Authority's (OWDA) amortization schedule, the outstanding balance at December 31, 2010 was \$100,310, which is the amount we used in step 3.

Debt (Continued)

| Issue | Principal outstanding as of December 31, 2010: |
|----------------------------------|--|
| Ohio Water Development Authority | \$100,162 |

2. We inquired of management, and scanned the Financial Statements and Cash Flow Schedule for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of loan debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules or invoices to debt service payments reported in the Cash Flow Schedule Report. During 2011, the District did not record \$152,445 in debt service principal and interest payments for loans through the First National Bank and did not record \$28,755.63 in debt service principal forgiveness payments (as previously mentioned in Intergovernmental Revenue and Other Confirmable Receipts, the revenue was not booked, also) through OWDA to the Cash Flow Schedule Report. We recommend the District record all debt activity for the District. We also compared the date the debt service payments were due to the date the District made the payments. We found no exceptions.
4. We could not agree the amount of debt proceeds from the debt documents to amounts recorded in the Cash Flow Schedule Report. During 2011 the District did not record loan proceeds and capital outlay expenditures in the amount of \$152,700 for loans through the First National Bank and did not record \$4,830.36 in loan proceeds for loans through OWDA. We recommend the District record all debt proceeds of the District.
5. For new debt issued during 2012 and 2011, we inspected the debt legislation, noting the District must use the proceeds for business purposes, to purchase a new truck and for waterline relocation and waterline extension. We scanned the Cash Flow Schedule Report and noted the District purchased a truck in June 2012. As of December 31, 2012, the District had an unspent balance in the amount of \$19,529.09 for the truck loan. The waterline relocation and waterline extension project is on-going at December 31, 2012.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Payroll Register and:
 - a. We compared the hours and pay rate, or salary amount recorded in the Payroll Register to supporting documentation (timecard, or legislatively approved rate or salary). We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
 - c. We determined whether the account code to which the check was posted was reasonable based on the employees' duties as documented in the minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel file and minute record was consistent with the information used to compute gross and net pay related to this check:
 - a. Name.
 - b. Authorized salary or pay rate.
 - c. Account to which the check should be charged.

Payroll Cash Disbursements (Continued)

- d. Retirement system participation and payroll withholding.
- e. Federal, State & Local income tax withholding authorization and withholding.
- f. Any other deduction authorizations (deferred compensation, etc.).

We found no exceptions related to steps a. – f. above, except the IT-4 form was not maintained for two of the employees. However, the payroll register did disclose state tax withholdings for these employees who didn't complete a IT-4. We recommend the District maintain all documentation to support wages paid and deductions withheld.

- 3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2012. We noted the following:

| Withholding plus employer share (where applicable) | Date Due | Date Paid | Amount Due | Amount Paid |
|---|---------------------|----------------------|-----------------------|------------------------|
| Federal income taxes & Medicare (and social security, for employees not enrolled in pension system) | 1/15/13 | 1/10/13 | \$1,949.84 | \$1,949.84 |
| State income taxes | 1/15/13 | 1/10/13 | \$423.86 | \$423.86 |
| OPERS retirement | 1/30/13 | 1/10/13 | \$1,634.10 | \$1,634.10 |

Non-Payroll Cash Disbursements

- 1. From the Cash Flow Schedule Report, we re-footed checks recorded as contract labor and checks recorded as lab fees for 2012. We found no exceptions.
- 2. We haphazardly selected ten disbursements from the Cash Flow Schedule for the year ended December 31, 2012 and ten from the year ended 2011 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Cash Flow Schedule and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
 - d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

- 1. We compared the total estimated receipts approved by the Board required by Ohio Rev. Code Section 5705.28(B)(2) and 5705.36(A)(1), to the amounts recorded in the manual budgetary spreadsheet for the years ended December 31, 2012 and 2011. The manual budgetary spreadsheet recorded budgeted (i.e., certified) resources of \$0 for 2011. However, estimated receipts approved by the Board reflected \$518,300. The manual budgetary spreadsheet recorded budgeted (i.e., certified) resources of \$826,620 for 2012. However, estimated receipts approved by the Board reflected \$224,700. The Fiscal Officer should periodically compare amounts recorded in the manual budgetary spreadsheet to amounts approved by the Board to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.

Compliance – Budgetary (Continued)

2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether the Trustees appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.28(B)(2), 5705.38 and 5705.40, to the amounts recorded in the manual budgetary spreadsheet for 2012 and 2011. The amounts approved by the Board agreed to the amounts recorded in the manual budgetary spreadsheet.
4. Ohio Rev. Code Section 5705.28(B)(2)(c) prohibits appropriations from exceeding the estimated revenue available for expenditure (receipts plus beginning unencumbered cash). We compared total appropriations to total estimated revenue for the years ended December 31, 2012 and 2011. We noted that appropriations for 2012 exceeded estimated revenue by \$621,828, contrary to Ohio Rev. Code Section 5705.28(B)(2)(c). The Trustees should not pass appropriations exceeding estimated revenue. Allowing this to occur could cause the District to incur fund balance deficits.
5. Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2012 and 2011 as recorded in the manual budgetary spreadsheet. We noted that expenditures for 2011 exceeded total appropriations by \$54,161, contrary to Ohio Rev. Code Sections 5705.28(B)(2) and 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. We noted negative appropriations for ten line items at December 31, 2012 and sin line items had negative appropriations at December 31, 2011. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the District, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

July 31, 2013

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MORGAN- MEIGSVILLE RURAL WATER DISTRICT

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 20, 2013**