

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

AUDIT REPORT

JANUARY 1, 2014 – DECEMBER 31, 2015

**Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Board of Trustees
Maysville Regional Water District
P.O. Box 95
White Cottage, Ohio 43791

We have reviewed the *Independent Auditors' Report* of the Maysville Regional Water District, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 3, 2016

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**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Maysville Regional Water District
Muskingum County
P.O. Box 95
White Cottage, Ohio 43791

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by and related notes of the Maysville Regional Water District, Muskingum County, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Maysville Regional Water District, Muskingum County as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Maysville Regional Water District, Muskingum County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2016, on our consideration of Maysville Regional Water 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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 28, 2016

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Operating Cash Receipts		
Charges for Services	\$ 1,143,537	\$ 1,086,862
Miscellaneous	27,737	43,759
Total Operating Cash Receipts	1,171,274	1,130,621
Operating Cash Disbursements		
Personal Services	371,981	394,827
Utilities	89,271	116,262
Repairs and Maintenance	23,272	28,865
Testing and Licenses	8,395	11,085
Other Contractual Services	250	7,537
Chemicals and Operating Supplies	96,575	104,433
Office Supplies and Materials	43,565	47,651
Insurance	122,370	134,962
Capital Outlay	148,994	202,469
Total Operating Cash Disbursements	904,673	1,048,091
Operating Income/(Loss)	266,601	82,530
Non-Operating Cash Receipts		
Debt Proceeds	141,316	188,116
Interest	1,568	1,428
Total Non-Operating Cash Receipts	142,884	189,544
Non-Operating Cash Disbursements		
Debt Service		
Principal	104,208	99,399
Interest	136,435	136,514
Other Non-Operating Cash Disbursements	1,668	1,403
Total Non-Operating Cash Disbursements	242,311	237,316
Net Receipts Over/(Under) Disbursements	167,174	34,758
Cash Balance - January 1	777,443	742,685
Cash Balance - December 31	\$ 944,617	\$ 777,443

See notes to financial statements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio established the rights and privileges for The Maysville Regional Water District (the District), as a body corporate and politic. The District is directed by an appointed five-member Board of Trustees. Board Members are appointed by the Common Pleas Court. The District was established to provide an adequate and uncontaminated water supply for the consumption of the District's users. The District serves all or parts of Springfield and Newton Townships in Muskingum County.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis which 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. Deposits and Investments

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. Appropriation authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in a money market account.

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

	2015	2014	
Demand Deposits	\$ 489,594	\$ 322,852	
Money Market	455,023	454,591	
Total Deposits	\$ 944,617	\$ 777,443	

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 1,198,701	\$ 1,314,158	\$ 115,457

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,122,280	\$ 1,146,984	\$ (24,704)

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$ 1,183,701	\$ 1,320,165	\$ 136,464

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 1,121,280	\$ 1,285,407	\$ (164,127)

Contrary to ORC 5705.41 (B), the District had expenditures that were greater than appropriations.

4. DEBT

Debt outstanding at December 31, 2015:

	Principal	Interest Rate
USDA Water Revenue Bonds – 1994	\$ 927,000	5.125%
USDA Water Revenue Bonds – 1997	1,184,805	4.875%
USDA Water Revenue Bonds – 2011	920,500	3.375%
Totals	\$ 3,032,305	

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

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

During 2011, the District issued \$499,758 of \$1,045,000 water revenue bonds to fund the radio read meter project and other projects to be completed in 2012. During 2015 and 2014, the District issued \$141,316 and \$188,116, respectively, of the \$1,045,000 USDA water revenue bonds, respectively to fund projects to be completed in 2015. The bonds mature through December 2031. The loans will be repaid with the proceeds of water revenues in annual installments in varying amounts, over 20 years. The District has agreed to set utility rates sufficient to cover debt service requirements.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. DEBT (Continued)

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

<u>Year Ending December 31</u>	<u>1994 Water Revenue Bonds</u>	<u>1997 Water Revenue Bonds</u>	<u>2011 Water Revenue Bonds</u>
2016	\$ 80,509	\$ 89,544	\$ 75,367
2017	79,818	89,545	75,472
2018	80,075	89,545	75,323
2019	80,230	89,544	75,426
2020	80,283	89,544	75,373
2021-2025	400,561	447,722	377,048
2026-2030	399,808	447,721	377,008
2031-2035	239,601	447,722	75,360
2036-2040	-	157,954	-
Total	<u>\$ 1,440,884</u>	<u>\$ 1,948,840</u>	<u>\$ 1,206,377</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, OPERS members contributed 10.0% of their gross salaries and the District contributed an amount equal to 14.0% of participants gross salaries. The District has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

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

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Maysville Regional Water District
MuskingumCounty
P.O. Box 95
White Cottage, Ohio 43791

To the Board of Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Maysville Regional Water District, Muskingum County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 28, 2016, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Maysville Regional Water District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maysville Regional Water 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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 and 2015-002.

Entity's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 28, 2016

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance – Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

At December 31, 2015, the District had expenditures that exceeded appropriations by \$24,704. At December 31, 2014, the District had expenditures that exceeded appropriations by \$164,127.

The General Manager should compare expenditures to available appropriations before expenditures are certified. The General Manager should deny payment requests exceeding appropriations.

Client response: We have not received a response from the client.

FINDING NUMBER 2015-002

Noncompliance

Ohio Administrative Code 117-2-03 (B) and 126:3-1-01(A)(2)(a) and Ohio Revised Code Section 117.38 and 1724.05, and AOS Bulletin 2015-07 states that the Auditor of State has implemented the Hinkle Annual Financial Data Reporting System (Hinkle System). The Hinkle System is an internet based application that allows certain financial statement, debt, and demographic data to be entered, uploaded and transmitted to the AOS to satisfy the filing requirements prescribed by the Ohio Revised Code (ORC) and Ohio Administrative Code (OAC). All district's, were required to report via the Hinkle System for periods ended December 31, 2014 and thereafter.

Per Ohio Revised Code Section 117.38, entities filing on a cash basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. The AOS may waive these penalties, upon filing of the past due financial report.

In 2014, the District did not enter the required data via the Hinkle System and also did not prepare a completed annual statement for the year ended December 31, 2014. We recommend the District file its year end required report via the Hinkle System as required.

Client Response: We have not received a response from client.

**MAYSVILLE REGIONAL WATER DISTRICT
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-01	ORC 5705.41(D)	Yes	Finding no longer valid.

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Dave Yost • Auditor of State

MAYSVILLE REGIONAL WATER DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2016**