



Dave Yost • Auditor of State



**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Southern Perry County Water District  
Perry County  
P.O. Box 335  
Corning, Ohio 43730

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Southern Perry County Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 District'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 District'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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Perry County Water District, Perry County, Ohio, as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2014, 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. 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 29, 2014

***SOUTHERN PERRY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012***

This discussion and analysis, along with the accompanying financial report, of the Southern Perry County Water District (the District), is designed to provide customers, creditors and other interested parties with a general overview of the District and its financial activities.

**FINANCIAL HIGHLIGHTS**

The total assets of the District exceeded liabilities by \$1.6 and \$1.7 million on December 31, 2013 and 2012, respectively. The District's net position decreased \$92 thousand (-5%) in 2013 and decreased \$90 thousand (-5%) in 2012.

The District's Operating Revenues decreased \$24 thousand (-3%) during 2013 and increased \$28 thousand (3%) during 2012. Operating Expenses decreased \$32 thousand (-4%) during 2013 and increased \$74 thousand (9%) during 2012.

**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 Position** 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 position (equity) are the difference between assets and liabilities.

The **Statements of Revenues, Expenses and Changes in Net Position** provide information on the District's operations over the past two years and the success of recovering all of its costs through service charges, tap fees, 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.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**NET POSITION**

Table 1 summarizes the Net Position of the District. Capital Assets are reported less accumulated depreciation. The line "Net Investment in Capital Assets" is Capital Assets, less outstanding debt that was used to acquire those assets.

TABLE 1

	2013	2012	Change	2011	Change
Current & Other Assets	\$ 64,206	\$ 125,934	\$ -61,728	\$ 199,884	\$ -73,950
Long Term Assets	218,312	215,691	2,621	192,170	23,521
Capital Assets, Net	<u>3,715,219</u>	<u>3,864,228</u>	<u>-149,009</u>	<u>3,855,978</u>	<u>8,250</u>
Total Assets	<u>3,997,737</u>	<u>4,205,853</u>	<u>-208,116</u>	<u>4,248,032</u>	<u>-42,179</u>
Long Term Liabilities	2,183,504	2,314,270	-130,766	2,271,400	42,870
Current & Other Liabilities	156,013	141,629	14,384	136,210	5,419
Total Liabilities	<u>2,339,517</u>	<u>2,455,899</u>	<u>-116,382</u>	<u>2,407,610</u>	<u>48,289</u>
Net Position					
Net Investment in Capital Assets	1,416,403	1,453,408	-37,005	1,499,032	-45,624
Restricted	218,312	215,691	2,621	192,170	23,521
Unrestricted	<u>23,505</u>	<u>80,855</u>	<u>-57,350</u>	<u>149,220</u>	<u>-68,365</u>
Total Net Position	<u>\$1,658,220</u>	<u>\$1,749,954</u>	<u>\$ -91,734</u>	<u>\$ 1,840,422</u>	<u>\$ -90,468</u>

The District's Net Position decreased \$92 thousand (-5%) in 2013 and decreased \$90 thousand (-5%) in 2012.

Restricted net position increased by \$3 thousand (1%) in 2013 and by \$23 thousand (12%) in 2012. This increase resulted from interest earned. Restricted net position is cash that is limited in use as part of the District's loan covenants with the United States Department of Agriculture – Rural Development.

Unrestricted net position decreased \$57 thousand during 2013 (-71%) and decreased \$68 thousand during 2012 (-45%). Unrestricted net position may be used without constraints established by loan covenants, and as provided by the adopted budget. Cash and cash equivalents decreased \$56 thousand during 2013 and decreased \$50 thousand during 2012.



**SOUTHERN PERRY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

TABLE 2

	2013	2012	Change	2011	Change
Total Operating Revenues	\$ 808,626	\$ 832,523	\$ -23,897	\$ 804,935	\$ 27,588
Purchased Water	325,088	341,486	-16,398	311,603	29,883
Wages & Fringe Benefits	208,996	221,731	-12,735	204,155	17,576
Maintenance/operations	112,856	109,995	2,861	101,097	8,898
Office Expenses/operations	26,756	28,677	-1,921	17,715	10,962
Engineering, Legal, Audit	10,301	16,267	-5,966	17,077	-810
Depreciation	149,009	146,648	2,361	139,252	7,396
Total Operating Expenses	833,006	864,804	-31,798	790,899	73,905
Operating Income	-24,380	-32,281	7,901	14,036	-46,317
Non-Operating Revenue	2,409	3,311	-902	3,185	126
Non-Operating Expenses	-69,763	-61,498	-8,265	-69,860	8,362
Change in Net Position	-91,734	-90,468	-1,266	-52,639	-37,829
Net Position Beginning of Year	1,749,954	1,840,422	-90,468	1,893,061	-52,639
Net Position End of Year	<u>\$1,658,220</u>	<u>\$1,749,954</u>	<u>\$ -91,734</u>	<u>\$ 1,840,422</u>	<u>\$ -90,468</u>

Operating revenues decreased in 2013 by \$23 thousand and increased in 2012 by \$27 thousand, as a result of water sales and customer growth/loss.

Operating Expenses decreased by \$32 thousand (-4%) in 2013, due mainly to a decrease in the purchase of water, wages and fringes and engineering, legal and audit costs. During 2012, operating expenses increased \$74 thousand (9%), as expenses increased in most categories.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

**CAPITAL ASSETS**

The District had \$6.3 million invested in Capital Assets (before depreciation) at the end of 2013. This amount has not changed from the previous year. The District had \$6.3 million invested in Capital Assets (before depreciation) at the end of 2012. This amount is an increase of \$131 thousand (2%) from the previous year.

TABLE 3

	2013	2012	Change	2011	Change
Land	\$ 19,968	\$ 19,968	\$ -	\$ 19,968	\$ -
Water System	6,121,260	6,121,260	-	5,824,014	297,246
Transportation, Equip/Tools	217,696	217,696	-	237,177	-19,481
Construction in Progress	-	-	-	146,890	-146,890
Total Before Depreciation	6,358,924	6,358,924	-	6,228,049	130,875
Accumulated Depreciation	-2,643,705	-2,494,696	-149,009	-2,372,071	-122,625
Total Net Capital Assets	<u>\$ 3,715,219</u>	<u>\$ 3,864,228</u>	<u>\$ -149,009</u>	<u>\$ 3,855,978</u>	<u>\$ 8,250</u>

For additional information regarding capital assets, please see Note 4 to the Basic Financial Statements.

**DEBT**

The District issues long term debt to finance much of its construction and to purchase vehicles and equipment.

TABLE 4

	2013	2012	Change	2011	Change
USDA-RD Loans	\$ 956,570	\$ 994,961	\$ -38,391	\$ 1,032,179	\$ -37,218
Ohio Public Works Comm.	138,801	158,606	-19,805	168,362	-9,756
OWDA Loans	1,189,854	1,237,214	-47,360	1,113,478	123,736
Bank Installment Loans	13,591	20,039	-6,448	42,927	-22,888
Total Long Term Debt	2,298,816	2,410,820	-112,004	2,356,946	53,874
Less: Current Maturities	-115,312	-96,550	-18,762	-85,546	-11,004
Net Long Term Debt	<u>\$ 2,183,504</u>	<u>\$ 2,314,270</u>	<u>\$ -130,766</u>	<u>\$ 2,271,400</u>	<u>\$ 42,870</u>

For additional information regarding debt, please see Note 5 to the Basic Financial Statements.

**CASH**

Cash and cash equivalents on December 31, 2013 and 2012, were \$35 thousand and \$94 thousand, respectively. Not included in these totals are an additional \$218 thousand and \$216 thousand, as of December 31, 2013 and 2012, respectively, of cash and cash equivalents that are restricted as debt service reserves.

***SOUTHERN PERRY COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012***

**ECONOMIC FACTORS AND 2014 BUDGET**

The District has adopted a budget for 2014 that has a 1% increase from 2013. The District is committed to supplying water to the region at the most affordable rates, while maintaining and improving the District as needed.

**CONTACT INFORMATION**

Questions regarding this report and requests for additional information should be forwarded to James Palmer, President of the Board of Trustees, Southern Perry County Water District, Inc., PO Box 335, Corning Ohio 43730, or 740-347-9030.

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**SOUTHERN PERRY COUNTY WATER DISTRICT**

**Statement of Net Position**

**As of December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 34,768	\$ 93,625
Accounts Receivable - Customers	22,624	25,495
Inventories	6,814	6,814
<b>Total Current Assets</b>	<u>64,206</u>	<u>125,934</u>
<b>Noncurrent Assets:</b>		
Reserve Account for Debt Payment	218,312	215,691
<b>Total Noncurrent Assets</b>	<u>218,312</u>	<u>215,691</u>
<b>Capital Assets:</b>		
Land	19,968	19,968
Water System	6,121,260	6,121,260
Transportation, Equipment and Tools	217,696	217,696
<b>Total Capital Assets</b>	<u>6,358,924</u>	<u>6,358,924</u>
Less: Accumulated Depreciation	2,643,705	2,494,696
<b>Net Capital Assets</b>	<u>3,715,219</u>	<u>3,864,228</u>
<b>Total Assets</b>	<u><u>3,997,737</u></u>	<u><u>4,205,853</u></u>
<b>Current Liabilities:</b>		
Accounts Payable	31,548	34,075
Current Portion of USDA-RD Bonds	40,591	38,391
Current Portion of Other Loans	74,721	58,159
Payroll Taxes and OPERS Payable	4,266	4,276
Interest Payable USDA-RD	3,812	3,967
Interest Payable Other	1,075	2,761
<b>Total Current Liabilities</b>	<u>156,013</u>	<u>141,629</u>
<b>Noncurrent Liabilities:</b>		
Bonds Payable USDA-RD	956,570	994,961
Other Loans Payable	1,342,246	1,415,859
Less Current Portion Shown Above	(115,312)	(96,550)
<b>Total Noncurrent Liabilities</b>	<u>2,183,504</u>	<u>2,314,270</u>
<b>Total Liabilities</b>	<u>2,339,517</u>	<u>2,455,899</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	1,416,403	1,453,408
Restricted	218,312	215,691
Unrestricted	23,505	80,855
<b>Total Net Position</b>	<u>1,658,220</u>	<u>1,749,954</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 3,997,737</u></u>	<u><u>\$ 4,205,853</u></u>

See accompanying notes to the basic financial statements.

**SOUTHERN PERRY COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Operating Revenues:</b>		
Water sales	\$ 770,107	\$ 781,842
Tap Fees	12,000	22,800
Turn on Fees	1,200	2,100
Late Penalty Charges	24,601	24,276
Miscellaneous Income	718	1,505
<b>Total Operating Revenues</b>	808,626	832,523
<b>Operating Expenses:</b>		
Purchased Water	325,088	341,486
Salaries, Payroll Taxes, Employer Share OPERS	158,502	161,182
Director Fees	6,325	6,150
Employee Health and Life Insurance	42,069	52,002
Workers Compensation	2,100	2,397
Utilities	51,621	43,427
Maintenance and Operations	61,235	66,568
Office Expenses and Operations	26,756	28,677
Professional Fees	10,301	16,267
Depreciation	149,009	146,648
<b>Total Operating Expenses</b>	833,006	864,804
<b>Operating Income</b>	(24,380)	(32,281)
<b>Nonoperating Revenues (Expenses)</b>		
Interest Revenue	2,409	2,806
Gain on Sale of Fixed Assets	-	505
Interest Expense - USDA-RD	(40,821)	(34,830)
Interest Expense Others	(28,942)	(26,668)
<b>Total Nonoperating Revenues (Expenses)</b>	(67,354)	(58,187)
<b>Increase (Decrease) in Net Position</b>	(91,734)	(90,468)
<b>Net Position - Beginning of Year</b>	1,749,954	1,840,422
<b>Net Position - End of Year</b>	\$ 1,658,220	\$ 1,749,954

See accompanying notes to the basic financial statements.

**SOUTHERN PERRY COUNTY WATER DISTRICT**

**Statement of Cash Flows**

**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flow from Operating Activities:</b>		
Receipts from Customers	\$ 811,497	\$ 833,287
Payments to Suppliers	(528,022)	(550,693)
Payments to Employees	(158,512)	(161,161)
<b>Net Cash Provided by Operating Activities</b>	<u>124,963</u>	<u>121,433</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from Issuance of Debt	-	170,318
Acquisitions of Capital Assets	-	(154,897)
Proceeds from Sale of Fixed Assets	-	505
Principal Paid on Capital Debt	(112,004)	(116,445)
Interest paid on Debt	(71,604)	(73,385)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(183,608)</u>	<u>(173,904)</u>
<b>Cash Flows from Investing Activities</b>		
Interest	2,409	2,806
<b>Net Cash Provided by Investing Activities</b>	<u>2,409</u>	<u>2,806</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(56,236)	(49,665)
<b>Cash Balance - Beginning of Year</b>	<u>309,316</u>	<u>358,981</u>
<b>Cash Balance - End of Year</b>	<u><u>\$ 253,080</u></u>	<u><u>\$ 309,316</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	\$ (24,380)	\$ (32,281)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Depreciation	149,009	146,648
(Increase) Decrease in Accounts Receivable	2,871	764
Increase (Decrease) in Accounts Payable	(2,527)	6,281
Increase (Decrease) in Payroll Taxes and PERS Payable	(10)	21
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 124,963</u></u>	<u><u>\$ 121,433</u></u>
<b>Reconciliation of Cash to the Balance Sheet</b>		
Cash and Cash Equivalents	\$ 34,768	\$ 93,625
Cash Equivalents - Restricted	218,312	215,691
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 253,080</u></u>	<u><u>\$ 309,316</u></u>

See accompanying notes to the basic financial statements.

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**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Entity**

The Southern Perry County Water District (the District) is a water district organized under the provisions of Section 6119 of the Ohio Revised Code by the Common Pleas Court of Perry County on February 11, 1975. The District operates under the direction of a seven member board of trustees. The staff, consisting of an appointed Board Treasurer, a distribution superintendent, and an office manager, is responsible for 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 water district users and business use. The District serves all or parts of the following political subdivisions in Perry County:

Bearfield Township  
Coal Township  
Harrison Township  
Jackson Township  
Monroe Township  
Pike Township  
Pleasant Township  
Salt Lick Township  
Village of Rendville

**Basis of Accounting**

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial statement presentation purposes, the Southern Perry County Water District utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned, and expenses are recognized at the time they are incurred. Un-billed water utility service receivables are recorded at year end.

**Budgetary Process**

The Ohio Revised Code requires the District to adopt an annual budget.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Process (Continued)**

Estimated Resources

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**Cash and Cash Equivalents**

Cash in the District's operating account, certificates of deposit, and the District's participation in the State Treasurer's Investment Pool (STAR Ohio) are treated as cash and cash equivalents for the purpose of the Statement of Cash Flows.

**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.

**Restricted Assets**

Restricted assets represent monies legally restricted for payment of bond issues. All of the District's restricted assets are invested in certificates of deposit at December 31, 2013 and 2012, and are listed in the noncurrent assets section of the balance sheet.

**Property, Plant and Equipment (Capital Assets)**

Capital assets acquired or constructed for the general use of the District in providing services are recorded at cost. Donated assets are recorded at their estimated fair market value at the time received. 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 capital asset class are as follows:

Department of Natural Resources Tap Fees	40 years
Water Lines	50 years
Water Tanks	50 years
Water Meters and Installation	50 years
Transportation Equipment	5 to 10 years
Equipment and Tools	2 to 5 years

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 absence is 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, as the District feels that any liability would be immaterial to the basic financial statements as a whole.

**Pensions**

The provisions for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

**Operating Revenues and Expenses**

The District has classified its revenues as either operating or non-operating. Operating revenues are those that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Authority. Revenues and expenses not meeting this definition are reported as non-operating.

**Net Position**

The District has restricted net position to be used to fund future debt service requirements. None of the District's restricted net position was restricted by enabling legislation.

**Estimates**

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

**2. CASH AND CASH EQUIVALENTS**

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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.

***SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY***

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

**2. CASH AND CASH EQUIVALENTS (Continued)**

Inactive deposits are public deposits that the District has identified as not required for use within the current five-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 monies. Interim monies are those monies 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 passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio or Ohio local governments;
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) above 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; and,
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.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. CASH AND CASH EQUIVALENTS (Continued)**

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.

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

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. According to State law, public depositories must give security for all public funds on deposits in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institutions. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

At December 31, 2013, the District's bank balance of \$250,913 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above. At December 31, 2012, the District's bank balance of \$282,041 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

***Investments***

The District has invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) during the years ended December 31, 2013 and 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012. The District's investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. CASH AND CASH EQUIVALENTS (Continued)**

	2013		2012	
	Fair Value	Weighted Average Maturity (Yrs.)	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$ 5,618	0	\$ 30,609	0
Total Fair Value	<u>\$ 5,618</u>		<u>\$ 30,609</u>	

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by investing exclusively in STAR Ohio.

Credit Risk - In accordance with the investment policy, the District limits its investments to STAR Ohio. Investments in STAR Ohio were rated AAA by Standard & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in STAR Ohio, Repurchase Agreements, Certificates of Deposits or with financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 100% in investments in STAR Ohio.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the investment policy, all of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**3. BUDGETARY ACTIVITY**

Budgetary activity, which is accounted for on the cash basis of accounting, is as following for the year ended December 31, 2013 and 2012:

Budget vs. Actual Receipts		
	2013	2012
Budgeted Receipts	\$ 1,174,100	\$ 1,174,000
Actual Receipts	813,906	1,006,916
Variance	<u>\$ 360,194</u>	<u>\$ 167,084</u>

Budget vs. Actual Budgetary Basis Expenditures		
	2013	2012
Appropriation Authority	\$ 1,174,100	\$ 1,174,000
Budgetary Expenditures	870,142	1,056,581
Variance	<u>\$ 303,958</u>	<u>\$ 117,419</u>

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

Capital Assets activity for the fiscal year ended December 31, 2013 is as follows:

	Beginning Balance 1/1/13	Additions	Deletions	Ending Balance 12/31/13
Capital Assets, Not Being Depreciated				
Land	\$ 19,968	\$ -	\$ -	\$ 19,968
Total Capital Assets, Not Being Depreciated	<u>\$ 19,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,968</u>
Capital Assets Being Depreciated				
Water Lines and Buildings	5,617,744	-	-	5,617,744
DNR Tap Fees	503,516	-	-	503,516
Transportation Equipment	123,189	-	-	123,189
Furniture and Equipment	94,507	-	-	94,507
Total Capital Assets Being Depreciated	<u>6,338,956</u>	<u>-</u>	<u>-</u>	<u>6,338,956</u>
Less Accumulated Depreciation				
Water Lines and Buildings	(1,923,504)	(117,094)	-	(2,040,598)
DNR Tap Fees	(425,021)	(12,588)	-	(437,609)
Transportation Equipment	(91,481)	(11,311)	-	(102,792)
Furniture and Equipment	(54,690)	(8,016)	-	(62,706)
Total Accumulated Depreciation	<u>(2,494,696)</u>	<u>(149,009)</u>	<u>-</u>	<u>(2,643,705)</u>
Total Capital Assets Being Depreciated, Net	<u>3,844,260</u>	<u>(149,009)</u>	<u>-</u>	<u>3,695,251</u>
Total Capital Assets, Net	<u>\$ 3,864,228</u>	<u>\$ (149,009)</u>	<u>\$ -</u>	<u>\$ 3,715,219</u>

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS (Continued)**

Capital Assets activity for the fiscal year ended December 31, 2012 is as follows:

	Beginning Balance 1/1/12	Additions	Deletions	Ending Balance 12/31/12
Capital Assets, Not Being Depreciated				
Land	\$ 19,968	\$ -	\$ -	\$ 19,968
Construction in Progress	146,890	-	146,890	-
Total Capital Assets, Not Being Depreciated	<u>\$ 166,858</u>	<u>\$ -</u>	<u>\$ 146,890</u>	<u>\$ 19,968</u>
Capital Assets Being Depreciated				
Water Lines and Buildings	5,320,498	297,246	-	5,617,744
DNR Tap Fees	503,516	-	-	503,516
Transportation Equipment	147,213	-	24,024	123,189
Furniture and Equipment	89,964	4,543	-	94,507
Total Capital Assets Being Depreciated	<u>6,061,191</u>	<u>301,789</u>	<u>24,024</u>	<u>6,338,956</u>
Less Accumulated Depreciation				
Water Lines and Buildings	(1,808,561)	(114, 943)	-	(1,923,504)
DNR Tap Fees	(412,433)	(12,588)	-	(425,021)
Transportation Equipment	(104,194)	(11,311)	24,024	(91,481)
Furniture and Equipment	(46,883)	(7,807)	-	(54,690)
Total Accumulated Depreciation	<u>(2,372,071)</u>	<u>(146,649)</u>	<u>24,024</u>	<u>(2,494,696)</u>
Total Capital Assets Being Depreciated, Net	<u>3,689,120</u>	<u>155,140</u>	<u>-</u>	<u>3,844,260</u>
Total Capital Assets, Net	<u>\$ 3,855,978</u>	<u>\$ 155,140</u>	<u>\$ 146,890</u>	<u>\$ 3,864,228</u>



**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. CURRENT AND LONG-TERM DEBT**

Long-term debt obligations and the related transactions for the years ending December 31, 2013 and 2012 are summarized below:

	Balance 1/1/13	Additions	Deletions	Balance 12/31/13	Due Within One Year
O.W.D.A.	\$ 1,237,214	\$ -	\$ 47,360	\$ 1,189,854	\$ 47,841
O.P.W.C.	158,606	-	19,805	138,801	20,203
USDA Rev.	994,961	-	38,391	956,570	40,591
Bonds					
Bank Loans	20,039	-	6,448	13,591	6,677
	<u>\$ 2,410,820</u>	<u>\$ -</u>	<u>\$ 112,004</u>	<u>\$ ,298,816</u>	<u>\$ 115,312</u>

  

	Balance 1/1/12	Additions	Deletions	Balance 12/31/12	Due Within One Year
O.W.D.A.	\$ 1,113,478	\$ 170,318	\$ 46,582	\$ 1,237,214	\$ 31,906
O.P.W.C.	168,362	-	9,756	158,606	19,804
USDA Rev.	1,032,179	-	37,218	994,961	38,391
Bonds					
Bank Loans	42,927	-	22,888	20,039	6,449
	<u>\$ 2,356,946</u>	<u>\$ 170,318</u>	<u>\$ 116,444</u>	<u>\$ 2,410,820</u>	<u>\$ 96,550</u>

**USDA Revenue Bonds**

The USDA outstanding revenue bonds were issued for the acquisition and construction of Phase I, II and III of the water resource expansion project. Revenue of the District has been pledged to repay these debts.

Future principal and interest payments on all USDA Revenue Bonds are as follows:

Year Ending December 31,	USDA Revenue Bonds		
	Principal	Interest	Total
2014	\$ 40,591	\$ 45,737	\$ 86,328
2015	42,803	43,771	86,574
2016	45,153	41,691	86,844
2017	47,607	39,497	87,104
2018	48,997	37,162	86,159
2019-2023	184,604	156,182	340,786
2024-2028	233,381	108,444	341,825
2029-2033	256,800	46,952	303,752
2034-2038	56,634	3,851	60,485
	<u>\$ 956,570</u>	<u>\$ 523,287</u>	<u>\$ 1,479,857</u>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$1,487,000 in water revenue bonds issued in 1978, 1992, and 1996. Proceeds from the bonds provided the financing for the construction of the Water Resource Expansion Plant. The bonds are payable solely from water customer net revenues and are payable through 2038. Annual principal and interest payments remaining on the bonds are expected to require approximately 55 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,479,857.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. CURRENT AND LONG-TERM DEBT (Continued)**

***Ohio Public Works Commission Issue II loans:***

The outstanding Issue II loan was issued by Perry County. The District has assumed this debt because the water improvements are to be turned over to the District.

Future principal and interest payments on all OPWC loans are as follows:

Year Ending December 31,	OPWC		
	Principal	Interest	Total
2014	\$ 20,203	\$ 2,676	\$ 22,879
2015	20,609	2,269	22,878
2016	21,023	1,855	22,878
2017	21,445	1,433	22,878
2018	21,877	1,001	22,878
2019-2023	33,644	675	34,319
	<u>\$ 138,801</u>	<u>\$ 9,909</u>	<u>\$ 148,710</u>

***Ohio Water Development Authority (OWDA) Loans***

The OWDA loans were used for a water booster station and an elevated storage tank.

Future principal and interest payments on all the O.W.D.A. loans are as follows:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2014	\$ 32,146	\$ 13,145	\$ 45,291
2015	32,630	12,661	45,291
2016	33,121	12,169	45,290
2017	33,871	11,418	45,289
2018	34,381	10,908	45,289
2019-2023	179,832	46,620	226,452
2024-2028	193,783	32,669	226,452
2029-2033	194,211	17,730	211,941
2034-2038	134,337	5,237	139,574
	<u>\$ 868,312</u>	<u>\$ 162,557</u>	<u>\$ 1,030,869</u>

Total amount of the loan is \$368,447 (Congo water line), for which the District has not received an amortization schedule. The difference between the principal amount on this amortization table and the amount above is \$321,542 is the advancement of all funds minus principal payments made by the District.

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$1,090,898 in water revenue bonds issued in 2002, 2004, 2006 and 2008. Proceeds from the bonds provided financing for the construction of the Water Booster Station and Elevated Storage Tank. The bonds are payable solely from water customer net revenues and are payable through 2038. The total principal and interest remaining to be paid on the bonds is \$1,030,869.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. CURRENT AND LONG-TERM DEBT (Continued)**

***North Valley Bank Installment Loans***

The North Valley Bank installment loan was used to purchase a truck.

Future principal and interest on North Valley Bank loans are as follows:

Year Ending December 31,	North Valley Bank Installment Loan		
	Principal	Interest	Total
2014	\$ 6,677	\$ 369	\$ 7,046
2015	6,914	132	7,046
	\$ 13,591	\$ 501	\$ 14,092

**6. 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 and there has not been any significant reductions in insurance coverage from the prior year.

Workers compensation benefits are provided through the State Bureau of Workers' Compensation.

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

**7. DEFINED BENEFIT PENSION PLANS**

**Ohio Public Employees Retirement System**

A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan.
- 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.
- The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension 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 Pension and Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Ohio Public Employees Retirement System**

- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or calling 614-222-5601 or 1-800-222-7311.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans.

The 2013 and 2012 member contribution rates were 10.0% of covered payroll for members in state and local classifications.

The 2013 and 2012 employer contribution rate for state and local employers was 14.0% of covered payroll.

The District's contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$18,609, \$20,292 and \$19,587, respectively, which were equal to the required contributions for those years.

- F. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records.

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on financial statements.

**8. POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

***SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY***

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

**8. POSTEMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**Ohio Public Employees Retirement System**

Disclosures for the health care plan are presented separately in the OPERs financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contributions rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% and 4.0% during calendar year 2013 and 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% and 6.05% during calendar year 2013 and 2012. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The District’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$1,382, \$5,552, and \$5,596, respectively; the full amount has been contributed for 2013, 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Southern Perry County Water District  
Perry County  
P.O. Box 335  
Corning, Ohio 43730

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Southern Perry County Water District, Perry County, Ohio (the District), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 29, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 opinion 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 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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify all deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2013-001.

***Entity's Response to Findings***

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 District'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, the communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 29, 2014



**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificates – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.
2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a sum not exceeding an amount established by resolution adopted by members of the Board against any specific line item account not extending beyond the end of the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The District did not certify the availability of funds prior to purchase commitment for 100% of expenditures tested for 2013 and 2012.

Prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments received prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the fiscal officer certify that the funds are or will be available prior to an obligation being incurred by the District. In rare instances when prior certification is not possible, “then and now” certification may be used.

**SOUTHERN PERRY COUNTY WATER DISTRICT  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-001 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.41(D)(1) (Continued)**

We recommend the District certify purchases to which Ohio Rev. Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the District incurring a commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:** The Sage software does have consecutive numbered "Purchase Orders" available on it, but it does not contain a certifying sentence for the Fiscal Officer to sign. We are including wording on the bottom of a blank page along with spaces for the Board to sign. When we make a purchase order using the Sage software, we use the blank copy with the certification language on it to print the purchase order. Each purchase order is numbered and contains the vendor and the amount of the purchase, as well as the date the purchase is made.



# Dave Yost • Auditor of State

**SOUTHERN PERRY COUNTY WATER DISTRICT**

**PERRY 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 14, 2014**