



**Auditor of State
Betty Montgomery**

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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**Auditor of State
Betty Montgomery**

Buckeye Water District
Columbiana County
1925 Clark Avenue
PO Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

September 30, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Water District
Columbiana County
925 Clark Avenue
P.O. Box 105
Wellsville, Ohio 43968

To the Board of Directors:

We have audited the accompanying financial statements of the Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position or its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Buckeye Water District, Columbiana County, as of December 31, 2004 and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

September 30, 2005

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:			
Intergovernmental	\$52,659	613,920	\$666,579
Earnings on Investments		9,087	9,087
Other Revenue		2,713	2,713
		<u>625,720</u>	<u>678,379</u>
Total Cash Receipts	<u>52,659</u>	<u>625,720</u>	<u>678,379</u>
Cash Disbursements:			
Current:			
Debt Service:			
Interest and Fiscal Charges		31,460	31,460
Capital Outlay	52,659	3,592,620	3,645,279
		<u>3,624,080</u>	<u>3,676,739</u>
Total Cash Disbursements	<u>\$52,659</u>	<u>3,624,080</u>	<u>3,676,739</u>
Total Receipts Over/(Under) Disbursements		<u>(2,998,360)</u>	<u>(2,998,360)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes		2,979,927	2,979,927
Transfers-In		148,065	148,065
		<u>3,127,992</u>	<u>3,127,992</u>
Total Other Financing Receipts/(Disbursements)		<u>3,127,992</u>	<u>3,127,992</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements		129,632	129,632
Fund Cash Balances, January 1		<u>49,683</u>	<u>49,683</u>
Fund Cash Balances, December 31		<u>179,315</u>	<u>\$179,315</u>

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

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,015,697
Earnings on Investments	5,903
	2,021,600
Total Operating Cash Receipts	2,021,600
Operating Cash Disbursements:	
Personal Services	879,418
Utilities	40,193
Repairs and Maintenance	66,437
Testing and Licenses	10,153
Travel	4,241
Other Contractual Services	56,641
Chemical and Operating Supplies	100,803
Office Supplies and Materials	27,739
Purchase of Water	392,243
Sewage Collection Payment	17,577
Insurance	29,892
Contingency Expense	4,311
Capital Outlay	6,124
	1,635,772
Total Operating Cash Disbursements	1,635,772
Operating Income/(Loss)	385,828
Non-Operating Cash Receipts:	
Special Assessments	37,159
Sale of Parts/Equipment	73,618
Grant Reimbursement	1,095,260
Other Non-Operating Receipts	7,765
	1,213,802
Total Non-Operating Cash Receipts	1,213,802
Non-Operating Cash Disbursements:	
Debt Service	170,767
	170,767
Total Non-Operating Cash Disbursements	170,767
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,428,863
Transfers-Out	(148,065)
	1,280,798
Net Receipts Over/(Under) Disbursements	1,280,798
Fund Cash Balances, January 1	156,800
	1,437,598
Fund Cash Balances, December 31	\$1,437,598

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

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Buckeye Water District, Columbiana County, (the District) as a body corporate and politic established pursuant to Ohio Revised Code Section 6119.051. The territory included within the District consists of the entire area of Madison and Yellow Creek Townships, including the Village of Wellsville, and portions of Saint Clair and Liverpool Townships that are not inside the corporation limits of the City of East Liverpool. The District is directed by an appointed nine-member Board of Trustees. Three members are appointed by the Columbiana County Board of Commissioners. Three members are appointed by the Township Trustees of the townships which comprise part of the District. The other three members are appointed by the Mayor or Council of the Village of Wellsville which comprise part of the District. The District provides water services to residents of the District.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. Special Revenue Fund

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Fund:

Federal Emergency Management Agency Fund (FEMA) – This fund receives intergovernmental revenue for repairs as a result of major flooding.

2. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The District had the following significant Capital Project Fund:

Water System Improvement Project Fund - This fund receives intergovernmental revenue for a water system improvement project.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Fund

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following significant Enterprise Fund:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

D. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. The District did not encumber all commitments required by Ohio Law.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

A summary of 2004 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The District's accounting basis does not reflect a liability for unpaid leave.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. EQUITY IN POOLED CASH

The District maintains a cash pool all funds use. The carrying amount of cash at December 31 follows:

	2004
Demand deposits	\$1,616,913

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Special Revenue	0	\$52,659	\$52,659
Capital Projects	0	3,753,712	3,753,712
Enterprise	\$1,928,519	3,235,402	\$1,306,883
Total	\$1,928,519	\$7,041,773	\$5,113,254

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Special Revenue	0	\$52,659	(\$52,659)
Capital Projects	0	3,624,080	(3,624,080)
Enterprise	\$1,652,159	1,954,604	(302,445)
Total	\$1,652,159	\$5,631,343	(\$3,979,184)

The District did not always certify the availability of funds prior to entering into purchase commitments, as required by Ohio Revised Code Section 5705.41(D).

The District had expenditures which exceeded appropriations contrary to Ohio Revised Code Section 5705.41(B).

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - Meter Replacement	\$2,047	5.85%
Ohio Public Works Commission Loan # CN720	56,173	0.00%
Ohio Public Works Commission Loan #CN901	247,926	0.00%
Ohio Water Development Authority Loan # 3082	203,791	6.02%
Water Resource Revenue Bond Anticipation Note	525,000	2.685%
United States Department of Agriculture Loan 91-01	1,469,300	4.50%
OWDA - Raw Water Pump Station Loan #4157	476,480	3.20%
OWDA - Water Treatment Plant Design Loan #4186	1,392,289	3.20%
USDA Guaranteed Interim Financing Loan	1,288,000	3.25%
Ohio Public Works Commission Loan # CN24G	783,000	0.00%
Total	<u>\$6,444,006</u>	

The proceeds of the general obligation note were used to replace water meters. The loan was issued in the original amount of \$134,444 for 7 years. Monthly payments of \$2,076 are due until the maturity date of the loan which is January 1, 2005. The note is collateralized solely by the future revenues from the District's water operations.

The Ohio Public Works Commission (OPWC) Loan # CN720 was assumed from Columbiana County, which had originally been issued for water system improvements. The issue date of the original loan was July 1, 1994 in the amount of \$122,347 for 20 years. Semi-annual payments of \$2,956.50 are due January 1st and July 1st of each year until the maturity date of July 1, 2014. The loan is collateralized solely by the future revenues from the District's water operations.

The Ohio Public Works Commission (OPWC) Loan # CN901 was assumed from Columbiana County during 2003, which had originally been issued for the Wellsville Water Treatment Plant Improvements. The loan amount was \$268,028 when assumed from the County. Semi-annual payments of \$6,700.50 are due January 1st and July 1st of each year for 20 years until the maturity date of July 1, 2023. The loan is collateralized solely by the future revenues from the District's water operations.

The Ohio Water Development Authority (OWDA) Loan # 3082 was issued for the Dairy Lane Water Line Project in the amount of \$317,372 for 20 years. Semi-annual payments of \$13,857.50 are due January 1st and July 1st of each year until the maturity date of July 1, 2014. The loan is collateralized solely by the future revenues from the District's water operations.

The proceeds of the Water Resource Revenue Bond Anticipation Note were used to purchase land for the Water Resource Project of the District. The note was dated June 12, 2003 in the amount of \$525,000 for 2 years and will mature on May 12, 2005. Interest is due each year; however, the principal payment will be made at the end of the loan as a balloon payment. The loan is collateralized by the future revenues from the District's water operations.

The proceeds of the United States Department of Agriculture Loan 91-01 were used to complete Phase 1 of the Water Line Extension Project. The bonds were issued in May 2002 in the amount of \$1,498,000 for 40 years and will mature on May 1, 2042. Annual payments of \$80,892 will be made on May 1st of each year. The bonds are collateralized by the future revenues from the District's water operations.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. DEBT (Continued)

The proceeds of the Ohio Water Development Authority (OWDA) Raw Water Pump Station and Transmission Line #4157 were issued for the design for a new raw water pump station and raw water transmission lines project in the amount of \$476,480 for 5 years. The first payment date is due July 1, 2005. The semi-annual payment is \$52,510.56. The loan is collateralized solely by the future revenues from the District's water operations.

The proceeds of the Ohio Water Development Authority (OWDA) Water Treatment Plant and Reservoir Design Loan #4186 were issued for the Water Treatment Plant and Reservoir Design Project in the amount of \$1,392,289 for 5 years. The first payment date is due July 1, 2005. The semi-annual payment is \$152,576. The loan is collateralized solely by the future revenues from the District's water operations.

The proceeds of the USDA guaranteed interim financing from a bank loan in the amount of \$1,288,000 was used to fund the construction costs of the District's waterline project. Interest payments in the amount of \$3,605 are due monthly until the loan is paid off in full by the USDA's portion of the project funding. No amortization schedule was provided for this debt issue. The loan is collateralized solely by the future revenues from the District's water operations.

The Ohio Public Works Commission (OPWC) Loan # CN46G was issued on July 1, 2003 for the St. Route 39 Water Main Feeder Project in the amount of \$783,000 for 20 years. Semi-annual payments of \$19,575 are due each year when the project is complete. No amortization schedule has been presented since the project has not been completed as of December 31, 2004. The loan is collateralized solely by the future revenues from the District's water operations.

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

Year ending:	Meter Replace- ment Loan	OPWC Loan # CN720	OPWC Loan # CN901	OWDA Loan # 3082	Bond Anticipation Note	USDA Loan #91-01
2005	\$2,076	\$5,913	\$13,401	\$27,715	\$530,793	\$80,892
2006		5,913	13,401	27,715		80,892
2007		5,913	13,401	27,715		80,892
2008		5,913	13,401	27,715		80,892
2009		5,913	13,401	27,715		80,892
2010-2014		26,608	67,008	138,573		404,460
2015-2019			67,008			404,460
2020-2024			46,905			404,460
2025-2029						404,460
2030-2034						404,460
2035-2039						404,460
2040-2042						242,676
Total	<u>\$2,076</u>	<u>\$56,173</u>	<u>\$247,926</u>	<u>\$277,148</u>	<u>\$530,793</u>	<u>\$3,073,896</u>

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. DEBT (Continued)

Year ending:	OWDA Loan #4157	OWDA Loan #4186
2005	\$105,021	\$305,153
2006	105,021	305,153
2007	105,021	305,153
2008	105,021	305,153
2009	105,021	305,153
Total	<u>\$525,105</u>	<u>\$1,525,765</u>

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2004.

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.

7. CONTINGENT LIABILITIES

The District is defendant in a significant lawsuit. At this point, the litigation is in the discovery phase. The claims will be vigorously defended and the outcome is not presently determinable.

The District is also defendant in two less significant lawsuits. Although the outcomes of the suits are not presently determinable, counsel believes that the resolution of these matters will not materially or adversely affect the District's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$1,143,592
Total U.S. Dept. of Agriculture			<u>1,143,592</u>
U.S. Department of Homeland Security			
<i>Passed Through the Ohio Emergency Management Agency</i>			
Public Assistance Grant	FEMA-DR-1556-OH	97.036	45,386
Total Public Assistance Grant			<u>45,386</u>
Total Federal Awards			<u><u>\$1,188,978</u></u>

The notes to the federal awards expenditures schedule are an integral part of this schedule.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

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

Buckeye Water District
Columbiana County
1925 Clark Avenue
PO Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

We have audited the financial statements of the Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 30, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated September 30, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the District's management dated September 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Buckeye Water District
Columbiana County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Buckeye Water District
Columbiana County
1925 Clark Avenue
P O Box 105
Wellsville, Ohio 43968

To the Board of Trustees:

Compliance

We have audited the compliance of Buckeye Water District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Buckeye Water District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Buckeye Water District
Columbiana County
Independent Accountants' Report on
Compliance with Requirements
Applicable to Each Major Federal Program
And on Internal Control over Compliance in
Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 30, 2005

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Dual Opinion
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Non Compliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$1,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current 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 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not properly certify or record the amount against the applicable appropriation accounts for 85% of tested expenditures in 2004. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the fiscal officer should certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires authorizing disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)**

FINDING NUMBER 2004-002

Non-Compliance Citation

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

The following funds had expenditures which exceeded appropriations in 2004:

Fund	Budgetary Expenditures	Appropriations Authority	Variance
Federal Emergency Management Agency Fund	\$52,659	\$0	(\$52,659)
Water System Improvement Project Fund	\$3,624,080	\$0	(\$3,624,080)
Water Operating Fund	\$1,954,604	\$1,652,159	(\$302,445)

The District fiscal officer should monitor expenditures by comparing the expenditures to appropriations and should approach the Board to request amendments to the original appropriations as necessary to guard against overspending.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Ohio Revised Code § 5705.41 (D) The District failed to certify 26% of the disbursements tested.	No	Cited again as Finding Number 2004-001
2003-002	Ohio Revised Code § 5705.41(B) Disbursements exceeded appropriations by 32% during 2003.	No	Cited again as Finding Number 2004-002



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BUCKEYE WATER DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2005**