



Mary Taylor, CPA  
Auditor of State



**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2006 .....	5
Notes to the Financial Statements .....	7
Federal Award Expenditures Schedule For the Year Ended December 31, 2006.....	13
Notes to the Federal Award Expenditures Schedule.....	14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	22

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

Auditor of State

Buckeye Water District  
Columbiana County  
P O Box 105  
1925 Clark Avenue  
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 an 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 adverse 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 29, 2007

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 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, 2006, or its changes in financial position or 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 cash balances and reserves for encumbrances of Buckeye Water District, Columbiana County, as of December 31, 2006, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, 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 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 District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

November 29, 2007



**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>2006</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,343,240
Miscellaneous	19,549
	2,362,789
Total Operating Cash Receipts	2,362,789
<b>Operating Cash Disbursements:</b>	
Personal Services	931,751
Purchases	246,537
Services	130,254
Miscellaneous Expenses	52,583
Utilities	64,868
Capital Outlay	3,069,342
	4,495,335
Total Operating Cash Disbursements	4,495,335
Operating Income/(Loss)	(2,132,546)
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	108,958
Intergovernmental Revenues - Federal	185,921
Water Fund Reimbursement from Construction Fund	298,976
Proceeds from Sale of Public Debt:	
Sale of Notes	10,165,397
Sale of Parts/Equipment	15,640
Special Assessments	36,044
	10,810,936
Total Non-Operating Cash Receipts	10,810,936
<b>Non-Operating Cash Disbursements:</b>	
Debt Principal Payments	3,428,403
Debt Interest Payments	169,622
Debt Fees	169,909
	3,767,934
Total Non-Operating Cash Disbursements	3,767,934
Net Receipts Over/(Under) Disbursements	4,910,456
Cash Balances, January 1	1,391,938
<b>Cash Balances, December 31</b>	<b>\$6,302,394</b>
Reserve for Encumbrances, December 31	\$33,876

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**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 Village 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 Enterprise Fund Types.

Enterprise 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 Funds:

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

*Water System Improvement Project Fund* - This fund receives intergovernmental revenue, loan proceeds, and advances from the Water Operating Fund for a water system improvement project.

**D. Budgetary Process**

The Ohio Revised Code requires the District to budget.

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FIANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over and need not be appropriated. The District did not encumber all commitments as required by Ohio law.

A summary of 2006 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.

**2. EQUITY IN POOLED CASH**

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

	2006
Demand deposits	\$6,302,394

**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.

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FIANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2006 follows:

Budgeted vs. Actual Receipts	
<u>Fund Type</u>	<u>2006</u>
Budgeted Receipts	\$23,528,503
Actual Receipts	13,173,725
Variance	(\$10,354,778)

Budgeted vs. Actual Budgetary Basis Expenditures	
<u>Fund Type</u>	<u>2006</u>
Appropriation Authority	\$23,146,689
Budgetary Expenditures	8,297,145
Variance	\$14,849,544

**4. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan # CN720	\$44,347	0.00%
Ohio Public Works Commission Loan # CN901	221,123	0.00%
Ohio Water Development Authority Loan # 3082	163,287	6.02%
USDA Tax Exempt Bonds	1,438,100	4.50%
Ohio Public Works Commission Loan # CN24G	783,000	0.00%
Meter Lease Purchase Agreement	70,213	6.13%
Ohio Water Development Authority Loan # 4569	773,732	2.00%
Sky Bank Interim Financing Loan	9,375,000	4.50%
Total	\$12,868,802	

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 1<sup>st</sup> and July 1<sup>st</sup> 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 1<sup>st</sup> and July 1<sup>st</sup> 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.

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FIANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**4. DEBT - (Continued)**

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 1<sup>st</sup> and July 1<sup>st</sup> 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 United States Department of Agriculture (USDA) Tax Exempt Bonds 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 1<sup>st</sup> of each year. The bonds are collateralized by the future revenues from the District's water operations.

The Ohio Public Works Commission (OPWC) Loan # CN24G 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. The loan is collateralized solely by the future revenues from the District's water operations. No amortization schedule has been presented since the project has not been completed as of December 31, 2006.

A lease purchase agreement was entered into on September 1, 2004 to lease meters. Sixty monthly payments of \$1,817 are due until the maturity date of the loan which is July 15, 2010. The original amount of the lease was for \$96,500.

The proceeds of the Ohio Water Development Authority (OWDA) Water Treatment Plant # 4569 were issued in 2006 for the Water Treatment Plant Project in the amount of \$773,732. The total amount to be issued will be for \$11,438,169. The first payment date is scheduled for July 1, 2009. The semi-annual payment is \$356,331. The loan is collateralized solely by the future revenues from the District's water operations. No amortization schedule has been presented since the project has not been completed as of December 31, 2006.

The proceeds from Sky Bank Interim Financing loan in the amount of \$9,337,000 were used to fund the construction of a Water Treatment Plant. The total loan is to be for \$13,800,000 and has a maturity date of October 2, 2008. The loan is collateralized solely by the future revenues from the District's water operations. No amortization schedule has been presented since the project has not been completed as of December 31, 2006.

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FIANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**4. DEBT - (Continued)**

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

Year Ending	OPWC Loan # CN720	OPWC Loan # CN901	OWDA Loan # 3082	US Tax Exempt Bonds	Meter Lease
2007	\$5,913	\$13,401	\$27,715	\$80,892	22,370
2008	5,913	13,401	27,715	80,892	22,370
2009	5,913	13,401	27,715	80,892	22,370
2010	5,913	13,401	27,715	80,892	13,049
2011	5,913	13,401	27,715	80,892	
2012-2016	14,782	67,008	83,143	404,460	
2017-2021		67,008		404,460	
2022-2026		20,103		404,460	
2027-2031				404,460	
2032-2036				404,460	
2037-2041				404,460	
2042				80,892	
Totals	<u>\$44,347</u>	<u>\$221,124</u>	<u>\$221,718</u>	<u>\$2,912,112</u>	<u>\$80,159</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 2006, OPERS members contributed 9 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, 2006.

**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.

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FIANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**7. CONTINGENT LIABILITIES**

The District is defendant in several lawsuits. Although the outcomes of the lawsuits are not presently determinable, counsel believes that the resolution of these matters will not materially 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 DECEMBER 31, 2006**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	<u>\$4,268,900</u>
Total U.S. Department of Agriculture			<u>4,268,900</u>
<b>U.S. Department of Environmental Protection Agency</b>			
Congressionally Mandated Project	N/A	66.202	<u>182,687</u>
Total EPA Grant			182,687
<b>Total Federal Awards</b>			<b><u><u>\$4,451,587</u></u></b>

*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  
DECEMBER 31, 2006**

**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.



# Mary Taylor, CPA

Auditor of State

## 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  
P O Box 105  
1925 Clark Avenue  
Wellsville, Ohio 43968

To the Board of Trustees:

We have audited the financial statements of Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2006 and have issued our report thereon dated November 29, 2007, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-002, A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 29, 2007.

#### **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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 29, 2007.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees and federal awarding agencies and pass-through agencies. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 29, 2007



# Mary Taylor, CPA

## Auditor of State

### 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  
P O Box 105  
1925 Clark Avenue  
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, 2006. 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, 2006.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 29, 2007

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
DECEMBER 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**Finding Number 2006-001**

**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.

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 \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees 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 57% of the tested expenditures during fiscal year 2006. The District did not properly 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 Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 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 Section 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 Buckeye Water District has worked diligently to encumber and certify all expenses properly and according to state law. We will continue to refine our purchasing program to ensure that we meet the requirements of the State of Ohio, please note that no expenditures are made without Board of Trustee review.

**Finding Number 2006-002**

**Significant Deficiency**

**Proper Classification of Receipts and Disbursements**

Ohio Administrative Code Section 117-2-02(A) states that all public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by the Ohio Administrative Code section 117-2-03. The District did not correctly code and classify intergovernmental revenue, debt proceeds, and capital outlay expenditures, resulting in reclassifications of \$5,978,612, \$5,059,297 and \$1,989,658. The Fiscal Officer has agreed to and posted the reclassifications and adjustments to the ledgers and these corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the District will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The fiscal officer should maintain an accounting system to enable the District to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the District is accurately recorded and reported.

**Officials' Response**

The District has reviewed this significant deficiency in our internal control system and will implement changes to address the deficiency in our daily processes.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None

**BUCKEYE WATER DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC Section 5705.41(D) The District did not certify or record the amount against the applicable appropriation accounts for 52% of tested expenditures.	No	Cited again as finding number 2006-001.
2005-002	ORC Section 5705.41(B) The District had expenditures which exceeded appropriations in the Water System Improvement Project Fund.	Yes	



**Mary Taylor, CPA**  
Auditor of State

**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  
MARCH 6, 2008**