



**Auditor of State
Betty Montgomery**

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Brunersburg Water District
Defiance County
22485 Mill Street
Defiance, Ohio 43512-1211

To the Board of Trustees:

We have audited the accompanying financial statements of Brunersburg Water District (the District) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the District as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

July 8, 2004

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Debt Service	Capital Projects	Agency	
Cash Receipts:				
Special Assessments	\$ 27,944	\$ -	\$ 27,509	\$ 55,453
Miscellaneous	-	910	-	910
Total Cash Receipts	<u>27,944</u>	<u>910</u>	<u>27,509</u>	<u>56,363</u>
Cash Disbursements:				
Debt Service	39,331	-	-	39,331
Auditor's Fees	35	-	-	35
Miscellaneous	-	-	28,144	28,144
Total Cash Disbursements	<u>39,366</u>	<u>-</u>	<u>28,144</u>	<u>67,510</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	(11,422)	910	(635)	(11,147)
Other Financing Receipts:				
Advances-In	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements	(10,422)	910	(635)	(10,147)
Fund Cash Balances, January 1	<u>17,889</u>	<u>4,985</u>	<u>2,720</u>	<u>25,594</u>
Fund Cash Balances, December 31	<u><u>\$ 7,467</u></u>	<u><u>\$ 5,895</u></u>	<u><u>\$ 2,085</u></u>	<u><u>\$ 15,447</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 196,361
Miscellaneous	1,728
	198,089
Total Operating Cash Receipts	198,089
Operating Cash Disbursements:	
Personal Services	53,717
Contractual Services	104,126
Supplies and Materials	15,860
Miscellaneous	674
	174,377
Total Operating Cash Disbursements	174,377
Operating Income	23,712
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	1,869
	1,869
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	19
	19
Excess of Cash Receipts Over Cash Disbursements Before Interfund Advances	25,562
Advances-Out	(1,000)
Net Receipts Over Disbursements	24,562
Fund Cash Balance, January 1	196,048
Fund Cash Balance, December 31	\$ 220,610

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:				
Special Assessments	\$ 33,418	\$ -	\$ 26,965	\$ 60,383
Miscellaneous	13,636	897		14,533
Total Cash Receipts	<u>47,054</u>	<u>897</u>	<u>26,965</u>	<u>74,916</u>
Cash Disbursements:				
Debt Service	39,912	-	-	39,912
Auditor's Fees	72		-	72
Miscellaneous	-	-	26,542	26,542
Total Cash Disbursements	<u>39,984</u>	<u>-</u>	<u>26,542</u>	<u>66,526</u>
Total Cash Receipts Over Cash Disbursements	7,070	897	423	8,390
Fund Cash Balances, January 1	<u>10,819</u>	<u>4,088</u>	<u>2,297</u>	<u>17,204</u>
Fund Cash Balances, December 31	<u>\$ 17,889</u>	<u>\$ 4,985</u>	<u>\$ 2,720</u>	<u>\$ 25,594</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 206,590
Miscellaneous	2,813
	209,403
Operating Cash Disbursements:	
Personal Services	47,510
Contractual Services	115,876
Supplies and Materials	11,381
Capital Outlay	1,262
Miscellaneous	453
	176,482
Total Operating Cash Disbursements	176,482
Operating Income	32,921
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	2,962
	2,962
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	451
	451
Excess of Cash Receipts Over Cash Disbursements	35,432
Fund Cash Balance, January 1	160,616
Fund Cash Balance, December 31	\$ 196,048

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brunersburg Water District, Defiance County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by a seven-member Board of Trustees appointed by the Noble Township Board of Trustees. The District maintains and operates a water system for individuals living in 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets and are valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. 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. Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

maintained one enterprise fund. The Water fund is used to account for receipts of charges for services from residents to cover the cost of providing water service.

2. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The District had the following significant debt service funds:

OWDA Loan Fund is used to account for special assessment revenue and the subsequent payments of the OWDA loan.

Sky Bank Loan Fund is used to account for the special assessment revenue and the subsequent payments of the loan to Sky Bank.

3. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The District had the following significant capital project fund:

Utility Improvement Fund – This fund is to account for the construction of water lines.

4. Fiduciary Fund (Agency Fund)

Funds for which the District is acting in an agency capacity are classified as agency funds. The District had the following significant fiduciary fund:

Special Assessment Fund – This fund is to account for the special assessments the District is collecting for Defiance County.

E. Budgetary Process

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

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. The District must annually

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

approve appropriation measures and subsequent amendments. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

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 use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investments pool used by all funds. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$ 236,057</u>	<u>\$ 221,642</u>

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Debt Service	\$ 35,500	\$ 27,944	\$ (7,556)
Capital Projects	920	910	(10)
Enterprise	231,500	199,958	(31,542)
Total	<u>\$ 267,920</u>	<u>\$ 228,812</u>	<u>\$ (39,108)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Debt Service	\$ 53,002	\$ 39,366	\$ 13,636
Capital Projects	5,904		5,904
Enterprise	427,935	174,396	253,539
Total	<u>\$ 486,841</u>	<u>\$ 213,762</u>	<u>\$ 273,079</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
Debt Service	\$ 31,000	\$ 47,054	\$ 16,054
Capital Projects	900	897	(3)
Enterprise	266,000	212,365	(53,635)
Total	<u>\$ 297,900</u>	<u>\$ 260,316</u>	<u>\$ (37,584)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Debt Service	\$ 41,818	\$ 39,984	\$ 1,834
Capital Projects	4,987		4,987
Enterprise	426,616	176,933	249,683
Total	<u>\$ 473,421</u>	<u>\$ 216,917</u>	<u>\$ 256,504</u>

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

The District did not certify any expenditures in 2003 or 2002 contrary to Ohio Revised Code § 5705.41 (D).

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 136,664	7.00%
Sky Bank Loan - Switzer Road Project	60,274	5.35%
Sky Bank Loan - Tinora Project	8,822	6.20%
Total	\$ 205,760	

The Ohio Water Development Authority (OWDA) loan relates to a water line installation project. The principal amount borrowed from OWDA was \$259,924 on January 1, 1991. The loan will be repaid in semiannual installments of \$13,022 including interest, over 20 years.

The Sky Bank Switzer Road project loan relates to the financing of the Switzer Road water project. The loan was financed on August 2, 1999 with a principal amount of \$81,470. The District has begun paying over the minimum semiannual interest installments. As of December 31, 2001 the loan balloon payment of \$72,864, including interest would be due on August 2, 2004.

The Sky Bank Tinora project loan relates to the financing of the Tinora water project. The loan was financed on August 29, 2000 with a principal amount of \$17,840. The loan will be repaid through semiannual installments of \$1,935 through February 2, 2006.

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Year ending December 31:	OWDA Loan	Sky Bank Switzer Road Loan	Sky Bank Tinora Project Loan
2004	\$ 24,991	\$ 60,274	\$ 3,869
2005	25,109		3,869
2006	25,237		1,935
2007	25,375		
2008	25,324		
2009 - 2013	51,541		
Total	<u>\$ 177,577</u>	<u>\$ 60,274</u>	<u>\$ 9,673</u>

5. RETIREMENT SYSTEMS

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 prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through December 31, 2003. The District has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Brunersburg Water District
Defiance County
22485 Mill Street
Defiance, Ohio 43512-1211

To the Board of Trustees:

We have audited the accompanying financial statements of Brunersburg Water District (the District) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 8, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated July 8, 2004

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion

Brunersburg Water District
Defiance County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated July 8, 2004.

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by 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

July 8, 2004

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.

Amount less than \$1,000 (\$3,000 effective April 7, 2003), may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

None of the transactions tested were certified at the time the commitment was incurred nor were than and now certificates issued.

We recommend that the Clerk certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30120-001	Revised Code § 5705.41 (D) Improper Certification of funds.	No	Not corrected. Repeated as Finding number 2003-001.



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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BRUNERSBURG WATER DISTRICT

DEFIANCE 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 5, 2004**