



**Auditor of State
Betty Montgomery**

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – For the Year Ended December 31, 2003	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings	12

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statement of Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2003. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this 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 statement referred to above presents fairly, in all material respects, the fund cash balances of Buckeye Water District, Columbiana County, as of December 31, 2003, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

April 5, 2004

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

Operating Cash Receipts:

Charges for Services	\$2,412,930
Earnings on Investments	6,787
	<hr/>
Total Operating Cash Receipts	2,419,717

Operating Cash Disbursements:

Current:	
Personal Services & Fringe Benefits	777,916
Contractual Services & Supplies	730,305
Capital Outlay	1,370,639
	<hr/>
Total Operating Cash Disbursements	2,878,860

Operating Income/(Loss) (459,143)

Non-Operating Receipts/Disbursements

Proceeds of Notes	525,000
Redemption of Principal	(70,731)
Interest and Other Fiscal Charges	(88,694)
	<hr/>
Total Non-Operating Receipts/Disbursements	365,575

Income/(Loss) (93,568)

Fund Cash Balance, January 1 300,052

Fund Cash Balance, December 31 **\$206,484**

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

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Buckeye Water District, Columbiana County, (the District) is 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 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. 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 or function level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 individual commitments are made. Encumbrances outstanding at year end are canceled by reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2003 budgetary activity appears in Note 3.

D. Property, Plant and Equipment

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

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

2. EQUITY IN POOLED CASH

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

	2003
Demand Deposits	<u>\$206,484</u>

Deposits: 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 year ended December 31, 2003 follows:

Budgeted vs. Actual Receipts	
	2003
Budgeted Receipts	\$2,496,713
Actual Receipts	2,944,717
Variance	\$448,004

Budgeted vs. Actual Budgetary Basis Expenditures	
	2003
Appropriation Authority	\$2,310,129
Budgetary Expenditures	3,038,285
Variance	(\$728,156)

The District did not always certify the availability of funds prior to entering into purchase commitments, as required by Ohio Revised Code § 5705.41(D) and contrary to Ohio Revised Code § 5705.41(B), the District had expenditures which exceeded appropriations.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

4. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - Meter Replacement	\$26,089	5.85%
Ohio Public Works Commission Loan # CN720	62,086	0.00%
Ohio Public Works Commission Loan #CN24D	45,000	0.00%
Ohio Public Works Commission Loan # CN33F	91,200	0.00%
Ohio Public Works Commission Loan #CN901	261,327	0.00%
Ohio Water Development Authority Loan # 3082	211,076	6.02%
Water Resource Revenue Bond Anticipation Note	525,000	2.685%
Ohio Water Development Authority Tax Exempt Bonds	1,484,000	4.50%
Total	<u><u>\$2,705,778</u></u>	

The proceeds of the general obligation note were used to replace water meters. The loan was issued in the 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, which was issued for water system improvements, was assumed from Columbiana County. The \$122,347 loan was issued on July 1, 1994 for a period of 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 # CN24D, which was issued for water system improvements, was assumed from Columbiana County. The \$50,000 loan was issued on January 1, 2002 for a period of 20 years. Semi-annual payments of \$1,250 are due January 1st and July 1st of each year until the maturity date of January 1, 2022. The loan is collateralized solely by the future revenues from the District's water operations.

The Ohio Public Works Commission (OPWC) Loan # CN33, which was issued for water system improvements, was assumed from Columbiana County during 2003. The \$96,000 loan was issued on January 1, 2003 for a period of 20 years. Semi-annual payments of \$2,400 are due January 1st and July 1st of each year until the maturity date of January 1, 2023. The loan is collateralized solely by the future revenues from the District's water operations.

The Ohio Public Works Commission (OPWC) Loan # CN901, which was issued for improvements to the Wellsville Water Treatment Plant, was assumed from Columbiana County during 2003. 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.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

4. DEBT (Continued)

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 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 1st of each year. The bonds are collateralized by the future revenues from the District's water operations.

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

Year ending:	Meter Replacement Loan	OPWC Loans	OWDA Loan	Bond Anticipation Note	OWDA Tax Exempt Bonds
2004	\$24,912	\$26,614	\$27,715	\$13,903	\$80,892
2005	2,076	26,614	27,715	530,793	80,892
2006		26,614	27,715		80,892
2007		26,614	27,715		80,892
2008		26,614	27,715		80,892
2009-2013		133,073	138,575		404,460
2014-2018		106,464	13,856		404,460
2019-2023		87,006			404,460
2024-2028					404,460
2029-2033					404,460
2034-2038					404,460
2039-2042					323,568
Total	\$26,988	\$459,613	\$291,006	\$544,696	\$3,154,788

5. RETIREMENT SYSTEM

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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, members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries. 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; and
- Errors and omissions.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 5, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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 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 a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 5, 2004.

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

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

April 5, 2004

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Ohio Revised Code § 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 such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- A. 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 Board 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.
- B. If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The District did not certify or record the amount against the applicable appropriation accounts for 26% of the tested expenditures. The District did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The District should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

FINDING NUMBER 2003-002

Ohio Revised Code § 5705.41 (B) states that no subdivision is to expend money unless it has been appropriated.

Expenditures exceeded appropriations by 32%.

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

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC § 5705.41 (D)	No	Cited again as Finding Number 2003-001.
2002-002	ORC § 5705.41 (B)	No	Cited again as Finding Number 2003-002.



**Auditor of State
Betty Montgomery**

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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
JUNE 8, 2004**