

***CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Crains Run Water and Sewer District
Miamisburg, Ohio

We have reviewed the *Report of Independent Accountants* of the Crains Run Water and Sewer District, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Crains Run Water and Sewer District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 12, 2005

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**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY
For Year Ending December 31, 2004**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Crains Run Water and Sewer District
Montgomery County
10383 Dayton-Cincinnati Pike
Franklin, Ohio 45005

To the Board of Trustees:

We have audited the accompanying financial statements of the Crains Run Water and Sewer District, Montgomery County, Ohio, (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinion.

As described more 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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 for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash Balances of Crains Run Water and Sewer District, Montgomery County, Ohio as of December 31, 2004 and its cash receipts and cash 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 June 24, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Charles E. Harris & Associates, Inc.

June 24, 2005

CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

Operating Cash Receipts:	
Operating Receipts	\$ 99,146
Bulk Water Sales	198
Total Operating Cash Receipts	99,344
Operating Cash Disbursements:	
Personal Services	58,134
Contractual Services	39,556
Contract Labor	9,551
Office Supplies and Equipment	1,863
Postage	957
Insurance	11,950
Utilities and Phone	21,641
Rent	2,400
Plant Operations and Testing	5,723
Chemicals and Operating Supplies	24,468
Repairs and Maintenance	10,502
Vehicle Expense	65
Bank Fees	961
Miscellaneous	970
Total Operating Cash Disbursements	188,741
Operating gain (loss)	(89,397)
Non-Operating Cash Receipts	
Tap Fees	65,190
Inspection Fees	3,631
Meter Fees	327
Special Assessments	41,913
Miscellaneous Receipts	471
Interest/Investment Income	42,726
Total Non-Operating Cash Receipts	154,258
Non-Operating Cash Disbursements	
Debt Service	309,880
Capital Outlay	4,721
Total Non-Operating Cash Disbursements	314,601
Net Disbursements in Excess of Receipts	(249,740)
Fund Cash Balances, January 1	2,724,390
Fund Cash Balances December 31	\$ 2,474,650

See accompanying Notes to the Financial Statements.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Crains Run Water and Sewer District, (the District) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. The Trustees of Miami Township appoint the Trustees of the District. The District provides water services to the 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

The District prepares its financial statements following 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.)

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

C. DEPOSITS AND INVESTMENTS

Investments are reported as assets. 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.

Certificates of deposits, repurchase agreement, sweep account, and federal agency instruments are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. FUND ACCOUNTING

The District maintains a General Fund that is used to account for all financial resources of the District.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

The Ohio Revised Code requires the General Fund be budgeted 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. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of 2004 budgetary activity appears in Note 4.

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.

G. 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.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investment pool at December 31 was as follows:

	2004
Demand deposits	\$ 15,289
Money Market	516,418
Certificates of deposit	<u>1,296,231</u>
Total deposits	1,827,938
STAR Ohio	335,589
Sweep Account	161,123
Repurchase Agreement	<u>150,000</u>
Total Investments	646,712
Total deposits and investments	<u>\$2,474,650</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged the financial institution to the District.

Investments: The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name. Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

3. RETIREMENT SYSTEM – (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The District's rate was 13.55% of covered payroll. The District has paid all contributions required through December 31, 2004.

4. BUDGETARY ACTIVITY

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$145,901	\$253,602	\$107,701

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$780,000	\$503,342	\$276,658

5. DEBT

Debt outstanding at December 31, 2004 was as follow:

	<u>Principal</u>	<u>Interest Rates</u>
Phase I Construction Loan OWDA	\$2,535,949	5.66%
Phase II Construction Loan OWDA	<u>1,178,931</u>	5.56%
Total	<u>\$3,714,880</u>	

The maximum the District may borrow under the construction loans are \$2,802,540 (Phase I) and \$1,303,009 (Phase II). As the District needs monies for various planning or construction activities, a request for these funds is made. The District, under terms of the loan agreement, states that it will charge such rates for the services of the system as shall result in pledged revenues at least adequate to provide to the payments required.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

5. DEBT – (continued)

The construction loans' amortization schedules include principal and interest payment requirements, based on the assumption that the entire loan amounts will be borrowed. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed. The Phase I construction loan includes \$439,211 of principal and interest rolled over from the Phase I planning loan. The Phase II construction loan also includes \$226,916 of principal and interest rolled over from the Phase II planning loan.

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

<u>Year ending December 31:</u>	<u>Phase I Construction</u>	<u>Phase II Construction</u>
2005	\$ 212,201	\$ 97,094
2006	212,201	97,094
2007	212,201	97,094
2008	212,201	97,094
2009	212,201	97,094
2010-2014	1,061,006	485,471
2015-2019	1,061,006	485,471
2020-2024	1,061,006	485,471
2025-2028	<u>106,100</u>	<u>48,547</u>
Total	<u>\$ 4,350,123</u>	<u>\$ 1,990,430</u>

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2004**

7. CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Crains Run Water and Sewer District
Montgomery County
10383 Dayton-Cincinnati Pike
Franklin, Ohio 45005

We have audited the financial statements of the Crains Run Water and Sewer District, Montgomery County, Ohio as of and for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements we audited may occur and not be detected within a timely period by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving internal controls over financial reporting that we have reported to the management of District in a separate letter dated June 24, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crains Run Water and Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
June 24, 2005

Status of Prior Audit's Citations and Recommendations

There were no citations or recommendations from the prior audit, for the year ending December 31, 2003.



**Auditor of State
Betty Montgomery**

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**CRAINS RUN WATER AND SEWER DISTRICT
MONTGOMERY 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
SEPTEMBER 22, 2005**