



**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

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

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Betty Montgomery
Auditor of State

August 8, 2006

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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, Defiance County, (the District) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2004, or its changes in financial position or its cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brunersburg Water District, Defiance County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006, 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.



Betty Montgomery
Auditor of State

August 8, 2006

**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, 2005**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Debt Service	Capital Projects	Agency	
Cash Receipts:				
Special Assessments	\$41,528		\$26,149	\$67,677
Miscellaneous		\$879	15,000	15,879
Total Cash Receipts	41,528	879	41,149	83,556
Cash Disbursements:				
Debt Service	36,724			36,724
Auditor's Fees	390			390
Miscellaneous			41,300	41,300
Total Cash Disbursements	37,114		41,300	78,414
Total Cash Receipts Over/(Under) Cash Disbursements	4,414	879	(151)	5,142
Other Financing Receipts and (Disbursements):				
Advances-In	500			500
Advances-Out	(500)			(500)
Total Other Financing Receipts and (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,414	879	(151)	5,142
Fund Cash Balances, January 1	7,017	5,128	2,357	14,502
Fund Cash Balances, December 31	\$11,431	\$6,007	\$2,206	\$19,644

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$223,477
Miscellaneous	2,027
	225,504
Operating Cash Disbursements:	
Personal Services	68,733
Travel Transportation	65
Contractual Services	113,485
Supplies and Materials	23,069
Capital Outlay	40,319
Miscellaneous	14
	245,685
Total Operating Cash Disbursements	245,685
Operating Loss	(20,181)
Non-Operating Cash Receipts:	
Other Non-Operating Revenues	5,444
	5,444
Non-Operating Cash Disbursements:	
Debt Service	7,254
Other Non-Operating Cash Disbursements	95
	7,349
Total Non-Operating Cash Disbursements	7,349
Excess of Cash Disbursements Over Cash Receipts Before Advances	(22,086)
Advances-In	500
Advances-Out	(500)
	(22,086)
Net Disbursements Over Receipts	(22,086)
Fund Cash Balance, January 1	229,760
Fund Cash Balance, December 31	\$207,674

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, 2004**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Debt Service	Capital Projects	Agency	
Cash Receipts:				
Special Assessments	\$33,439		\$26,512	\$59,951
Miscellaneous		\$877		877
Total Cash Receipts	33,439	877	26,512	60,828
Cash Disbursements:				
Debt Service	41,410			41,410
Auditor's Fees	79			79
Miscellaneous			26,240	26,240
Total Cash Disbursements	41,489		26,240	67,729
Total Cash Receipts Over/(Under) Cash Disbursements	(8,050)	877	272	(6,901)
Other Financing Receipts and (Disbursements):				
Transfers-In	7,600			7,600
Transfers-Out		(1,644)		(1,644)
Total Other Financing Receipts and (Disbursements)	7,600	(1,644)		5,956
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(450)	(767)	272	(945)
Fund Cash Balances, January 1	7,467	5,895	2,085	15,447
Fund Cash Balances, December 31	\$7,017	\$5,128	\$2,357	\$14,502

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$207,305
Miscellaneous	1,705
	<hr/>
Total Operating Cash Receipts	209,010
	<hr/>
Operating Cash Disbursements:	
Personal Services	60,718
Travel Transportation	212
Contractual Services	114,620
Supplies and Materials	16,209
Capital Outlay	3,837
Miscellaneous	14
	<hr/>
Total Operating Cash Disbursements	195,610
	<hr/>
Operating Income	13,400
	<hr/>
Non-Operating Cash Receipts:	
Other Non-Operating Revenues	2,983
	<hr/>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	1,277
	<hr/>
Excess of Cash Receipts Over Cash Disbursements Before Transfers	15,106
	<hr/>
Transfers-In	1,644
Transfers-Out	(7,600)
	<hr/>
Net Receipts Over Disbursements	9,150
	<hr/>
Fund Cash Balance, January 1	220,610
	<hr/>
Fund Cash Balance, December 31	<u><u>\$229,760</u></u>

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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Brunersburg Water District, Defiance County, (the District) as a body corporate and politic. 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 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. Deposits and Investments

The accounting basis includes investments as assets. This basis does not report purchases of investments as disbursements or investment sales as receipts. This basis recognizes gains or losses at the time of sale 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 had the following Enterprise fund:

Water Fund – This fund is use 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 Debt Service Fund – This fund is used to account for special assessment revenue and the subsequent payments of the OWDA loan.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Sky Bank Debt Service Fund – This fund is used to account for the special assessment revenue and the subsequent payments of the loan to Sky Bank.

3. Capital Project Funds

These funds are 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 Projects fund:

Capital Reserve Fund – This fund receives miscellaneous receipts collected for expenses associated with the Evansport waterline.

4. Fiduciary Funds (Agency Funds)

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

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

Waterline Taps Fund – This fund is used to account for waterline tap fees the District is collecting for Defiance County.

E. Budgetary Process

The Ohio Revised Code requires the District to budget its funds annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations. The Board 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 commitments are made. The District did not use the encumbrance method of accounting.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. 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.

G. 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:

	2005	2004
Demand deposits	\$227,318	\$244,262

Deposits are 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, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Debt Service	\$34,500	\$41,528	\$7,028
Capital Projects	1,000	879	(121)
Enterprise	221,000	230,948	9,948
Total	\$256,500	\$273,355	\$16,855

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Debt Service	\$41,517	\$37,114	\$4,403
Capital Projects	6,127		6,127
Enterprise	450,760	253,034	197,726
Total	\$498,404	\$290,148	\$208,256

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Debt Service	\$43,100	\$41,039	(\$2,061)
Capital Projects	1,000	877	(123)
Enterprise	241,500	213,637	(27,863)
Total	\$285,600	\$255,553	(\$30,047)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Debt Service	\$49,793	\$41,489	\$8,304
Capital Projects	6,984	1,644	5,340
Enterprise	466,173	204,487	261,686
Total	\$522,950	\$247,620	\$275,330

Contrary to Ohio law, the District did not certify any expenditures in 2005 or 2004.

4. DEBT

Debt outstanding at December 31, 2005, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$104,616	7.00%
Sky Bank Loan - Switzer Road Project	39,090	4.05%
Sky Bank Loan - Tinora Project	1,875	6.20%
Total	\$145,581	

The Ohio Water Development Authority (OWDA) loan relates to a waterline installation project. The principal amount borrowed from OWDA was \$259,924 on January 1, 1991. The loan will be repaid in semi-annual installments 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 originally financed on August 2, 1999, with a principal amount of \$81,470 at an interest rate of 5.35%. The District refinanced the loan on October 22, 2005, with a principal amount of \$52,135. The District is only required to make semi-annual interest installments until one principal payment of \$40,695, including interest, would be due on October 22, 2009. The District has begun paying over the minimum semi-annual interest installments.

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.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. DEBT – (Continued)

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Sky Bank Switzer Road Loan</u>	<u>Sky Bank Tinora Project Loan</u>
2006	\$25,237	\$1,605	\$1,935
2007	25,375	1,605	
2008	25,524	1,605	
2009	25,684	40,695	
2010	25,857		
Total	<u>\$127,677</u>	<u>\$45,510</u>	<u>\$1,935</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 2005 and 2004, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries through December 31, 2005. The District has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Risk Pool Membership

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT – (Continued)

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT – (Continued)

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The District's share of these unpaid claims is approximately \$17,300.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of Brunersburg Water District, Defiance County, (the District) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 8, 2006, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated August 8, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated August 8, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

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

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

Betty Montgomery
Auditor of State

August 8, 2006

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 District.

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 account 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 extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the District's disbursements were certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001
(Continued)**

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, we recommend that the Clerk 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.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 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 District is currently in the process of certifying expenditures with purchase orders in fiscal year 2006.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code § 5705.41 (D), improper certification of funds	No	Not corrected, reported as finding number 2005-001



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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 29, 2006**