
NORTHERN OHIO RURAL WATER

**PROGRAM SPECIFIC AUDIT
FINANCIAL STATEMENTS**

DECEMBER 31, 2003

RADACHI AND COMPANY

Certified Public Accountants and Business Consultants

900 EAST BROAD STREET, SUITE A, ELYRIA, OHIO 44035 • (440) 365-3115 • FAX: (440) 365-4668



**Auditor of State
Betty Montgomery**

Board of Trustees
Northern Ohio Rural Water

We have reviewed the Independent Auditor's Report on Compliance with Requirements Applicable to the Federal Major Program and on Internal Control Over Compliance in Accordance with the Program-Specific Audit Option Under OMB Circular A-133 and the Independent Accountants' Report on Schedule of Expenditures of Federal Awards of the Northern Ohio Rural Water, Huron County, prepared by Radachi and Company for the audit period January 1, 2003 through December 31, 2003. 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 statement and, accordingly, we are unable to express, and do not express an opinion on it.

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 Northern Ohio Rural Water is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 9, 2004

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NORTHERN OHIO RURAL WATER

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INDEPENDENT ACCOUNTANTS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Trustees
of Northern Ohio Rural Water
Collins, Ohio

We have audited the accompanying schedule of expenditures of federal awards for the Water and Waste Disposal Systems for Rural Communities of Northern Ohio Rural Water for the year ended December 31, 2003. This financial statement is the responsibility of Northern Ohio Rural Water's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the 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.

In our opinion, the schedule of expenditures of federal awards, referred to above presents fairly, in all material respects, the expenditures of federal awards under the Water and Waste Disposal Systems for Rural Communities in conformity with accounting principles generally accepted in the United States of America.

Radachi and Company

September 8, 2004

NORTHERN OHIO RURAL WATER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<hr/>			
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems For Rural Communities	10.760	070741D3	<u>\$3,384,073</u>
Total Expenditures of Federal Awards			<u>\$3,384,073</u>

The accompanying notes are an integral part of the financial statement.

NORTHERN OHIO RURAL WATER

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2003

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of Northern Ohio Rural Water's federal award program. The schedule has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note B. Funding Sources

Funds for the program are from a Rural Development Guaranteed Loan through Buckeye Community Bank of \$200,000 and a Rural Development Direct Loan of \$4,100,000. The guaranteed loan of \$200,000 requires monthly interest payments at an annual rate based on the index rate with a maturity date of January 2005. No payments are being made on the direct loan of \$4,100,000. When the direct loan is closed, interest and principal will be paid annually at an annual interest rate of 5% over 40 years. As of December 31, 2003, Northern Ohio Rural Water has borrowed a total of \$3,424,028.

See Independent Accountants' Report.

SUPPLEMENTARY INFORMATION

RADACHI AND COMPANY

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PROGRAM-SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133

To the Board of Trustees
of Northern Ohio Rural Water
Collins, Ohio

Compliance

We have audited the compliance of Northern Ohio Rural Water with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its Water and Waste Disposal Systems for Rural Communities for the year ended December 31, 2003. Northern Ohio Rural Water's federal program is identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Northern Ohio Rural Water's management. Our responsibility is to express an opinion on Northern Ohio Rural Water's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Water and Waste Disposal Systems for Rural Communities occurred. An audit includes examining, on a test basis, evidence about Northern Ohio Rural Water's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northern Ohio Rural Water's compliance with those requirements.

In our opinion, Northern Ohio Rural Water complied, in all material respects, with the requirements referred to above that are applicable to its Water and Waste Disposal Systems for Rural Communities for the year ended December 31, 2003.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
PROGRAM-SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133
(Continued)**

Internal Control Over Compliance

The management of Northern Ohio Rural Water is responsible for the establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northern Ohio Rural Water's internal control over compliance with requirements that could have a direct and material effect on Water and Waste Disposal Systems for Rural Communities in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Trustees, audit committee management, others within the District, Ohio Auditor of State and federal awarding agencies and passthrough entities, and is not intended to be and should not be used by anyone other than these specified parties.

Radachi and Company

September 8, 2004



**Auditor of State
Betty Montgomery**

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**NORTHERN OHIO RURAL WATER
HURON 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
NOVEMBER 23, 2004**