



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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**Auditor of State
Betty Montgomery**

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

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

November 20, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Water District
Columbiana County
1925 Clark Avenue
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, 2005. 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 year ended December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. 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 year ended December 31, 2005 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, or its changes in financial position or its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Buckeye Water District, Columbiana County, as of December 31, 2005, 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 year ended December 31, 2005. 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.

As discussed in Note 2 to the financial statements, the District reclassified its capital project fund in 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 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.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure schedule presents additional information and is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Betty Montgomery
Auditor of State

November 20, 2006

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Cash Receipts:	
Charges for Services	\$2,349,716
Miscellaneous	23,199
	2,372,915
Operating Cash Disbursements:	
Personal Services	881,988
Utilities	135,779
Purchases	358,287
Services	159,730
Miscellaneous	33,392
Construction Expenses - Capital Outlay	946,960
	2,516,136
Operating Income/(Loss)	(143,221)
Non-Operating Cash Receipts:	
Special Assessments	39,057
Sale of Parts/Equipment	22,204
Intergovernmental Receipts	187,715
Proceeds from Sale of Public Debt:	
Sale of Notes	293,449
Earnings on Investments	23,704
Other Non-Operating Revenues	330
	566,459
Non-Operating Cash Disbursements:	
Debt Service Payments:	
Principal Payments	425,568
Interest Payments	202,654
Loan Fees	18,644
Other Non-Operating Cash Disbursements	1,347
	648,213
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(224,975)
Advance-In	788,802
Advances-Out	(788,802)
Net Receipts Over/(Under) Disbursements	(224,975)
Cash Balances, January 1 (Restated - See Note 2)	1,616,913
Cash Balances, December 31	\$1,391,938
Reserve for Encumbrances, December 31	\$24,300

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, 2005**

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 Buckeye Water District, Columbiana County, (the District) as 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 District 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 Village 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 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. 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 Enterprise Fund Type.

Enterprise Funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The District had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water System Improvement Project Fund - This fund receives intergovernmental revenue, loan proceeds, and advances from the Water Operating Fund for a water system improvement project.

D. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. 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.

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 reappropriated. The District did not encumber all commitments required by Ohio law.

A summary of 2005 budgetary activity appears in Note 3.

E. 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.

F. 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. RESTATEMENT OF FUND BALANCES

A Capital Project Fund, which was classified as a governmental fund in the prior audit, has been reclassified as an enterprise fund in 2005. The effect of the reclassification is detailed below.

	2004	Restatement	2005
Capital Project – Governmental Fund Type	\$179,315	\$(179,315)	\$0
Enterprise Fund Type	<u>1,437,598</u>	<u>179,315</u>	<u>1,616,913</u>
Total	<u>\$1,616,913</u>	<u>\$0</u>	<u>\$1,616,913</u>

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

3. EQUITY IN POOLED CASH

The District maintains a cash pool all funds use. The carrying amount of cash at December 31 follows:

	2005
Demand deposits	\$1,391,938

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005 follows:

Budgeted vs. Actual Receipts	
Enterprise	2005
Budgeted Receipts	\$2,080,623
Actual Receipts	2,939,374
Variance	\$858,751
Budgeted vs. Actual Budgetary Basis Expenditures	
Enterprise	2005
Appropriation Authority	\$1,994,317
Budgetary Expenditures	3,188,649
Variance	(\$1,194,332)

Contrary to Ohio law, budgetary expenditures exceeded the District's appropriation authority by \$1,194,332 for the year ended December 31, 2005.

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan # CN720	\$50,260	0%
Ohio Public Works Commission Loan # CN901	234,525	0%
Ohio Water Development Authority Loan # 3082	180,157	6.02%
Water Resource Revenue Bond Anticipation Note	525,000	2.69%
USDA Tax Exempt Bonds	1,454,000	4.50%
Ohio Water Development Authority Loan # 4157	387,137	3.20%
Ohio Water Development Authority Loan # 4186	1,130,585	3.20%
Sky Bank Interim Financing Loan	1,288,000	3.25%
Ohio Public Works Commission Loan # CN24G	783,000	0%
Meter Lease Purchase Agreement	88,936	6.13%
Total	\$6,121,600	

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

5. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan # CN720 was assumed from Columbiana County, which had originally been issued for water system improvements. The issue date of the original loan was July 1, 1994 in the amount of \$122,347 for 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 # CN901 was assumed from Columbiana County during 2003, which had originally been issued for the Wellsville Water Treatment Plant Improvements. 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.

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. The maturity date of the note was extended for another year during 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 United States Department of Agriculture (USDA) 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.

The proceeds of the Ohio Water Development Authority (OWDA) Raw Water Pump Station and Transmission Line # 4157 were issued for the design for a new raw water pump station and raw water transmission lines project in the amount of \$476,480 for 5 years. The first payment date is due July 1, 2005. The semi-annual payment is \$52,510.56. The loan is collateralized solely by the future revenues from the District's water operations.

The proceeds of the Ohio Water Development Authority (OWDA) Water Treatment Plant and Reservoir Design Loan # 4186 were issued for the Water Treatment Plant and Reservoir Design Project in the amount of \$1,392,289 for 5 years. The first payment date is due July 1, 2005. The semi-annual payment is \$152,576. The loan is collateralized solely by the future revenues from the District's water operations.

The proceeds from the Sky Bank interim financing loan in the amount of \$1,288,000 were used to fund the construction costs of the District's waterline project. Interest payments in the amount of \$3,605 are due monthly until the loan is paid off in full by the USDA's portion of the project funding. No amortization schedule was provided for this debt issue. 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, 2005
(Continued)**

5. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan # CN24G was issued on July 1, 2003 for the St. Route 39 Water Main Feeder Project in the amount of \$783,000 for 20 years. Semi-annual payments of \$19,575 are due each year when the project is complete. No amortization schedule has been presented since the project has not been completed as of December 31, 2005. The loan is collateralized solely by the future revenues from the District's water operations.

A lease purchase agreement was entered into on September 1, 2004 to lease meters. Sixty monthly payments of \$1,817 are due until the maturity date of the loan which is July 15, 2010. The original amount of the lease was for \$96,500.

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

Year Ending	OPWC Loan # CN720	OPWC Loan # CN901	OWDA Loan # 3082	Bond Anticipation Note
2006	\$5,913	\$13,401	\$27,715	\$530,793
2007	5,913	13,401	27,715	
2008	5,913	13,401	27,715	
2009	5,913	13,401	27,715	
2010	5,913	13,401	27,715	
2011-2015	20,695	67,008	110,858	
2016-2020		67,008		
2021-2025		33,504		
2026-2030				
Totals	<u>\$50,260</u>	<u>\$234,525</u>	<u>\$249,433</u>	<u>\$530,793</u>

Year Ending	Tax Exempt Bonds	OWDA Loan # 4157	OWDA Loan # 4186	Meter Lease
2006	\$80,892	\$105,021	\$305,153	\$22,370
2007	80,892	105,021	305,153	22,370
2008	80,892	105,021	305,153	22,370
2009	80,892	105,021	305,153	22,370
2010	80,892			13,049
2011-2015	404,460			
2016-2020	404,460			
2021-2025	404,460			
2026-2030	404,460			
2031-2035	404,460			
2036-2040	404,460			
2041-2042	161,784			
Totals	<u>\$2,993,004</u>	<u>\$420,084</u>	<u>\$1,220,612</u>	<u>\$102,529</u>

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

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

6. 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, 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. The District has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The District is defendant in one lawsuit. Although the outcome of this suit is not presently determinable, counsel believes that the resolution of these matters will not materially adversely affect the District's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$586,043
Total Federal Awards Expenditures			<u><u>\$586,043</u></u>

The accompanying notes are an integral part of this schedule.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.



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*

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

To the Board of Trustees:

We have audited the financial statements of the Buckeye Water District, Columbiana County, (the District) as of and for the year ended December 31, 2005, and have issued our report thereon dated November 20, 2006, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the District reclassified its capital projects fund during 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 November 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the District's management dated November 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

Buckeye Water District
Columbiana 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, Board of Trustees, federal awarding agencies. 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

November 20, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of Buckeye Water District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Buckeye Water District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The District's management is responsible for 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 the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, federal awarding agencies. 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

November 20, 2006

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse on GAAP, unqualified on the regulatory basis.
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA # 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code Section 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 contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 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 District 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. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees if such expenditure is otherwise valid.
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 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 extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not properly certify or record the amount against the applicable appropriation accounts for 52% of the tested expenditures during 2005. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. 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, the fiscal officer should 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.

FINDING NUMBER 2005-002

Noncompliance Citation

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

In fiscal year 2005, expenditures exceeded appropriations in the Water System Improvement Project Fund by \$1,311,754.

The Fiscal Officer should not certify the availability funds and should deny payment requests which exceed appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

Officials' Response

We did not receive a response from Officials to the findings reported above.

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**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code Section 5705.41(D) The District failed to certify 85% of the disbursements tested in 2004.	No	Cited again as Finding Number 2005-001.
2004-002	Ohio Revised Code Section 5705.41(B) Disbursements exceeded appropriations by material amounts in three funds during 2004.	No	Cited again as Finding Number 2005-002.



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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
JANUARY 16, 2007**