



Mary Taylor, CPA
Auditor of State

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances – Propriety Fund Type For the Year Ended December 31, 2008.....	5
Notes to the Financial Statements	7
Schedule of Federal Award Expenditures For the Year Ended December 31, 2008.....	13
Notes to the Schedule of Federal Award Expenditures	14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	17
Schedule of Findings	19

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Mary Taylor, CPA
Auditor of State

Buckeye Water District
Columbiana County
P O Box 105
Wellsville, Ohio 43968

To the District 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 an 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 adverse 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.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 12, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Buckeye Water District
Columbiana County
P O Box 105
Wellsville, Ohio 43968

To the District 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, 2008. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. 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, 2008 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, 2008, or its changes in financial position or 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 cash fund balances and reserves for encumbrances of Buckeye Water District, Columbiana County, as of December 31, 2008, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 June 12, 2009, 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 financial statements of the District. The federal awards expenditure schedule is required by 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 the federal awards expenditure schedule to the auditing procedures applied in the audit of the District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

June 12, 2008

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008
Operating Cash Receipts:	
Charges for Services	\$3,343,409
Miscellaneous	15,973
	3,359,382
Operating Cash Disbursements:	
Personal Services	1,149,295
Purchases	383,891
Services	256,664
Miscellaneous Expenses	75,372
Utilities	128,569
Capital Outlay	7,333,861
	9,327,652
Operating Income/(Loss)	(5,968,270)
Non-Operating Cash Receipts:	
Earnings on Investments	63,833
Intergovernmental Revenues	3,853,917
Parts/Equipment Sales	16,856
Reimbursement from Contractors for Expenses	144,957
Proceeds from Sale of Public Debt:	
Sale of Bonds	13,800,000
Sale of Notes	3,733,665
Reimbursement for Prior Year Expenses	688,005
Special Assessments	42,647
	22,343,880
Non-Operating Cash Disbursements:	
Debt Principal Payments	13,933,061
Debt Interest Payments	833,479
Reimbursement to Water Operating Fund	688,005
	15,454,545
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	921,065
Transfers-In	338,929
Transfers-Out	(338,929)
Net Receipts Over/(Under) Disbursements	921,065
Cash Balances, January 1	3,391,648
Cash Balances, December 31	\$4,312,713
Reserve for Encumbrances, December 31	\$59,922

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, 2008**

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. 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. Subdivisions within the District are, the Village of Wellsville, Madison, Yellow Creek, Salem, and Middletown Townships and the unincorporated portions of Saint Clair and Liverpool Townships. 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District 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 District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

Enterprise Funds

These 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 water service costs.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Construction Fund - This fund receives intergovernmental revenue, loan proceeds, and transfers from the Water Operating Fund for a water system improvement project.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

A. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

B. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

C. 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. Management has posted audit-proposed adjustments to the budgetary presentations to include material items that should have been encumbered.

A summary of 2008 budgetary activity appears in Note 3.

D. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount of deposits and investments at December 31 was as follows:

	2008
Demand deposits	\$3,517,611
Star Ohio	795,102
Total deposits and investments	\$4,312,713

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 follows:

Budgeted vs. Actual Receipts	
	Enterprise Funds
Budgeted Receipts	
Actual Receipts	\$26,042,191
Variance	\$26,042,191
Budgeted vs. Actual Budgetary Basis Expenditures	
	Enterprise Funds
Appropriation Authority	\$0
Budgetary Expenditures	25,181,048
Variance	(\$25,181,048)

Contrary to Ohio law, the District did not approve appropriations; therefore, all budgetary expenditures exceeded appropriations for the year ended December 31, 2008.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan # CN901	\$194,320	0.00%
Ohio Public Works Commission Loan # CN24G	685,125	0.00%
Ohio Water Development Authority Loan # 3082	126,441	6.02%
Ohio Water Development Authority Loan # 4569	10,554,316	2.00%
Water Resource Revenue Bond, Series 2002, Series A	468,600	4.50%
Water Resource Revenue Bond, Series 2002, Series B	935,400	4.50%
Mortgage Revenue Bond, Series 2008 A	4,200,000	4.50%
Mortgage Revenue Bond, Series 2008 B	3,800,000	4.50%
Mortgage Revenue Bond, Series 2008 C	4,500,000	4.50%
Mortgage Revenue Bond, Series 2008 D	1,300,000	4.50%
Total	<u>\$26,764,202</u>	

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 \$6,701 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 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. 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 \$13,851 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.

Proceeds of the Ohio Water Development Authority (OWDA) Water Treatment Plant Loan # 4569 were issued to date for the Water Treatment Plant Project in the amount of \$10,554,316 which includes \$249,313 of capitalized interest. The total amount to be issued will be for \$11,438,169. The first payment date is scheduled for July 1, 2009. The semi-annual payment is \$356,331. The loan is collateralized solely by the future revenues from the District's water operations. No amortization schedule has been made available by OWDA for this loan as of December 31, 2008.

The proceeds of the United States Department of Agriculture (USDA) Tax Exempt Water Revenue Bonds, Series 2002 were used to complete Phase 1 of the Water Line Extension Project. The bonds were issued in May 2002 in the total 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.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. DEBT - (Continued)

The Mortgage Revenue Bonds Series 2008 A-D in the amount of \$13,800,000 were used to pay off the interim financing notes for the construction of a Water Treatment Plant. The bonds were issued October 13, 2008 and have a maturity date of October 1, 2048 at an interest rate of 4.5%. The bonds are collateralized solely by the future revenues from the District's water operations.

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

Year Ending	OPWC Loan # CN901	OPWC Loan # CN24G	OWDA # 3082	2002 Water Revenue Bonds	2008 Mortgage Revenue Bonds
2009	\$13,401	\$39,150	\$27,715	\$81,330	\$750,000
2010	13,401	39,150	27,715	81,330	750,000
2011	13,401	39,150	27,715	81,330	750,000
2012	13,401	39,150	27,715	81,330	750,000
2013	13,401	39,150	27,697	81,330	750,000
2014-2018	67,008	195,750	13,857	406,650	3,750,000
2019-2023	60,307	195,750		406,650	3,750,000
2024-2028		97,875		406,650	3,750,000
2029-2033				406,650	3,750,000
2034-2038				406,650	3,750,000
2039-2043				325,320	3,750,000
2044-2048					3,750,000
Totals	<u>\$194,320</u>	<u>\$685,125</u>	<u>\$152,414</u>	<u>\$2,765,220</u>	<u>\$30,000,000</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. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2008, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14%, of participants' gross salaries. The District has paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

7. CONTINGENT LIABILITIES

The District is a defendant in two lawsuits. Although the outcomes of the lawsuits are 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 FISCAL YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass Through Grantor 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	<u>\$3,241,605</u>
Total Federal Awards			<u><u>\$3,241,605</u></u>

The notes to the federal awards expenditures schedule are an integral part of this schedule.

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
DECEMBER 31, 2008**

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.



Mary Taylor, CPA

Auditor of State

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
P O Box 105
Wellsville, Ohio 43968

To the District 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, 2008, and have issued our report thereon dated June 12, 2009, 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is a material weakness.

We also noted certain internal control matter that we reported to the District's management in a separate letter dated June 12, 2009.

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 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated June 12, 2009.

We intend this report solely for the information and use of management, District Board of Trustees, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 12, 2009



Mary Taylor, CPA

Auditor of State

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
P O Box 105
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, 2008. 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, 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, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 12, 2009

**BUCKEYE WATER DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 SECTION .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UNQUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	YES
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	YES
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA # 10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	YES

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code Section 5705.38 requires, in part, that on or about the first day of each fiscal year, an appropriation measure is to be passed by the taxing authority. **Ohio Revised Code Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The District did not adopt an appropriation measure for 2008 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the District in 2008 (\$4,662,849) were not in compliance with the Ohio Revised Code.

**FINDING NUMBER 2008-001
(Continued)**

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending. The District should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to the Board established appropriations for each fund.

FINDING NUMBER 2008-002

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 administrator 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 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 Board of Trustees 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 for the district then the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board if such expenditure is otherwise valid.

2. **Blanket Certificate** – The Fiscal Administrator 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 Administrator 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 may be outstanding a particular time for any line item appropriation.

**FINDING NUMBER 2008-002
 (Continued)**

The District did not certify or record the amount against the applicable appropriation accounts for 100% of tested expenditures for 2008. The Fiscal Administrator did post appropriations in the accounting system and issued purchase orders for 63% of the expenditures tested, however, as noted in Finding 2008-001, the Board of Trustees did not adopt appropriations in 2008. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification. The District made several amendments to blanket purchase orders throughout the year. The District did not always close blanket purchase orders at fiscal year end.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but it is also 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 administrator 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.

The District should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41 (D) requires to authorize disbursements. The Fiscal Administrator should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41 (D) are satisfied. The Fiscal Administrator should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-003

Significant Deficiency/Material Weakness

Proper Classification of Receipts and Disbursements

The District did not correctly code and classify the following receipts and disbursements in 2008 which resulted in adjustments to the financial statements. The Fiscal Administrator has agreed to the reclassifications and these corrected amounts are reflected in the accompanying financial statements.

Fund Name	Account Type	Amount	Description
Reclassifications			
Water Operating	Reimbursement of Capital Outlay	\$688,005	Recorded as Intergovernmental
Water Operating	Transfer Out	\$338,929	Recorded as Capital Outlay
Construction	Transfers In	\$338,929	Recorded as Intergovernmental
Construction	Bond Proceeds	\$13,800,000	Recorded as Intergovernmental
Construction	Loan Proceeds	\$3,733,665	Recorded as Intergovernmental

Failure to consistently follow a uniform chart of accounts increases the possibility that the District will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The District Fiscal Administrator should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a uniform chart of accounts to help ensure that financial activity of the District is accurately recorded and reported. In addition, the District should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

Officials' Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

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
JULY 21, 2009**