



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Change in Cash Balances – For the Years Ended December 31, 2002 and 2001.....	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Prior Audit Findings.....	11

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Crains Run Water and Sewer District, Montgomery County, (the District) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the District prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Crains Run Water and Sewer District, Montgomery County, as of December 31, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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 26, 2003

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGE IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Operating Cash Receipts:		
Operating Revenues	\$49,195	\$25,061
Bulk Water Sales	424	223
Miscellaneous	529	362
	<hr/>	<hr/>
Total Operating Cash Receipts	50,148	25,646
	<hr/>	<hr/>
Operating Cash Disbursements:		
Personal Services	59,823	56,323
Contract Services	105,515	133,385
Contract Labor	6,635	5,400
Office Supplies and Equipment	2,011	927
Postage	739	377
Insurance	3,945	3,287
Utilities and Phone	17,039	16,530
Rent	3,000	1,800
Plant Operations and Testing	8,134	9,177
Chemicals and Operating Supplies	16,546	16,835
Repairs and Maintenance	8,412	9,317
Auditor Fees		5,245
Advertising and Communication		194
Vehicle Expense	91	307
Capital Outlay	214,490	93,743
	<hr/>	<hr/>
Total Operating Cash Disbursements	446,380	352,847
	<hr/>	<hr/>
Operating Income/(Loss)	(396,232)	(327,201)
	<hr/>	<hr/>
Non-Operating Cash Receipts:		
Tap Fees	53,100	51,000
Inspection Fees	5,180	6,043
Meter Fees	45	344
Special Assessments	69,246	41,889
Sale of Water Rights	500,000	
Loans Proceeds (OWDA)	177,412	284,177
Interest Income	85,397	174,469
Other Revenue	156,500	
	<hr/>	<hr/>
Total Non-Operating Cash Receipts	1,046,880	557,922
	<hr/>	<hr/>
Non-Operating Cash Disbursements:		
Debt Service	154,648	309,666
Miscellaneous	882	937
	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	155,530	310,603
	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	495,118	(79,882)
	<hr/>	<hr/>
Cash Balances, January 1	2,652,863	2,732,745
	<hr/>	<hr/>
Cash Balances, December 31	<u>\$3,147,981</u>	<u>\$2,652,863</u>

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

This page intentionally left blank.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Crains Run Water and Sewer District, Montgomery County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. The Trustees of Miami Township appoint the Trustees of the District. The District provides water and sewer 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

D. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

1. Appropriations

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District invests in Certificates of deposit, STAR Ohio, sweep account, repurchase agreement, and federal agency Instruments.

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

	2002	2001
Demand deposits	\$108,119	\$40,714
Money Market	19,934	956,635
Certificates of deposit	1,319,824	655,842
Total deposits	1,447,877	1,653,191
STAR Ohio	951,085	0
Sweep Account	107,000	150,000
Repurchase agreement	150,000	32,000
Federal Agency Instruments	492,019	817,672
Total investments	1,700,104	999,672
Total deposits and investments	\$3,147,981	\$2,652,863

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Federal Agency Instruments are held in book-entry form by the Federal Reserve, in the name of the District's financial institution. The financial institution maintains records identifying the District as owner of these securities. The District's financial institution transfers securities to the District's agent to collateralize repurchase agreements. The securities are not in the District's name. Investments in STAR Ohio and money mark mutual funds are not evidenced by securities that exist in physical or book-entry form.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

Budgeted vs. Actual Receipts		
Fund Type	2002	2001
Budgeted Receipts	\$282,500	\$91,500
Actual Receipts	1,097,028	583,568
Variance	\$814,528	\$492,068

Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	2002	2001
Appropriation Authority	\$1,045,000	\$1,395,000
Budgetary Expenditures	601,910	663,450
Variance	\$443,090	\$731,550

4. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Phase I Construction Loan OWDA	\$2,662,537	5.66%
Phase II Construction Loan OWDA	1,237,870	5.56%
Total	\$3,900,407	

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Phase I Construction</u>	<u>Phase II Construction</u>
2003	\$212,202	\$97,094
2004	212,202	97,094
2005	212,202	97,094
2006	212,202	97,094
2007	212,202	97,094
2008 - 2012	1,061,010	485,470
2013 - 2017	1,061,010	485,470
2018 - 2022	1,061,010	485,470
2023 - 2025	530,492	242,740
Total	<u>\$4,774,532</u>	<u>\$2,184,620</u>

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2002. The District has paid all contributions required through December 31, 2002.

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.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the accompanying financial statements of Crains Run Water and Sewer District (the District) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 26, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated August 26, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 26, 2003.

Crains Run Water and Sewer District
Montgomery County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by 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 26, 2003

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60357-001	ORC 5705.39 – Appropriations exceeding estimated resources at year end.	Yes	
2000-60357-002	ORC 5705.41 (B) – Expenditures exceeded appropriations at year end.	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CRAINS RUN WATER AND SEWER DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 2, 2003**